

20 JULY 1989



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# ***JPRS Report***

# **Soviet Union**

## ***Economic Affairs***

19980123 187

**DISTRIBUTION STATEMENT A**  
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**DTIC QUALITY INSPECTED 3**

# Soviet Union Economic Affairs

JPRS-UEA-89-022

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20 JULY 1989

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## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

**Ministerial Cuts, Reorganization Poorly Planned**  
18200358 Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 13 May 89 p 2

[Article by D. Omelchenko, deputy chief of the Main Economic Administration of the USSR Ministry of the Gas Industry, candidate in Economic Sciences: "The Confession of a 'Bureaucrat'"]

**[Text] Today we are causing an uproar about combating bureaucrats. Everywhere you hear calls to reduce the number of administrative personnel sharply. And to what can those at whom stones are thrown object? I shall try to speak not about the entire army of administrative workers, but only about the most, in the opinion of many, conservative of them—the ministries' central staffs.**

Little in our work changed with the transition to cost accounting and self-financing. The number of indicators sent to the enterprises was reduced and the statistical reporting was cut back. Despite the proclamation of economic independence for the enterprises and associations, however, full responsibility for the results of their work was not removed from the ministries.

For example, the norm for the correlation between the increase in the average wage and labor productivity is now directed by our "trustee." Because of this, the ministries are obliged to carry out quarterly monitoring. The sectorial staffs also bear the responsibility for the unprofitability of enterprises, above-norm reserves, uninstalled equipment and unfinished construction. They cannot help but "watch over" the production of consumer goods, and the development of subsidiary agriculture, and the organization of cooperatives....

But then, how can they be responsible, without interfering? Particularly if, because of the exacerbation of financial problems in the national economy, positive commands come from above on intensifying the monitoring and the responsibility?

Do many people know how we are occupied after we formulate, in the first half of this year, the sectorial plan for next year? Almost all the remaining six months of the year we prove its substantiation to Gosplan, the Ministry of Finance, Gossnab and other central organs. There they feel that it is a sign of good form to calculate all the basic indicators all over again. The same thing happens in compiling the five-year plan—the only difference being that the procedure here stretches out for approximately 1.5 years.

Under the conditions of the shortage of everything without exception, the plans remain unbalanced. Next we will seek ways of eliminating the disproportions for a whole year, but often we cannot find them.

It is not sweet for the "lower classes." After obtaining the rigid control figures, the ministry staff tries conscientiously to carry them out in the plans for the enterprises. Their collectives, however, are much more concerned with their own cost accounting indicators. By using the Law on the Enterprise, they begin to fight with us as the bureaucrats, since we are in like measure a buffer between them and the central organs.

For all these troubles (add here the innumerable inquiries, conferences, etc.), they cannot actually undertake the long-term development of the sector. Only the five-year plan is worked out more or less thoroughly. The remaining plans, encompassing a 15-year period, are quite fragmented. The entire future is oriented mainly toward volumetric and cost indicators.

I should particularly like to speak about the economic norms. It is generally acknowledged that they cannot be worked out on the basis of the established indicators for the plan, and that they should precede its compilation and stimulate the intensity of the planned assignments. The experience of the 12th Five-Year Plan indicates this. Here scarcely one-and-a-half years remain until the start of the 13th Five-Year Plan, and there are still arguments on what the norms will be like in principle. After all, it is too late to argue, they must be engaged to the utmost in working them out!

Naturally, it is impossible to eliminate all these distortions without reviewing the role of the ministries themselves, and without deciding how they should be under the new conditions. Just what has been done? Already more than three years have passed since we spoke about this, but so far there are no regulations on the industrial ministry. Nevertheless, many of them are being broken up and consolidated, and the staff is being periodically cut back. They designate the number of sectorial staffs that should remain—10, 20, 30. Is it not strange: no one has as yet determined how many ministries there should be under the new conditions, and they already want to count them!

The stereotyped approach to the reorganization being carried out is bewildering, at the least. It is considered an axiom: once the enterprises are on full cost accounting, the higher organizations will have less trouble. On this basis, the ministries are obtaining, in principle, identical assignments for reducing the staff. But what if, as the majority of specialists think, for example, under the conditions of the gas industry there cannot be full economic independence of the enterprises?

This point of view is not completely groundless! The gas supply system formed in the country is a continuous technological unity of objects for the extracting, processing, transporting and underground storage of gas. The greatest efficiency is reached in this case, not through improving the work of the individual units, but through making decisions at the sectorial level on the development of the entire gas supply system. Since, as scientists

affirm, cost accounting is indivisible, and the fullness of rights and responsibility in the sphere of economic activity should belong to one entity alone, then for us only the ministry can be this "someone."

Usually included among the main shortcomings in the work of the ministries is the existence in them of internal interests, their monopoly and excessive production concentration. There are probably some bases for this. What can the counteractive measures be, however? Can anyone really seriously think that the consolidation of the ministries being carried out can help in this sense?

If actual ways are sought, the responsibility of the enterprises and ministries must first of all be made specific. The latter should answer for the unsatisfactory results of the enterprises' work for which they themselves are guilty.

On the whole, the transition from command-administrative methods to economic methods should be gradual, accompanied by an expanding of the enterprises' independence and eliminating the old functions of the ministries. Even at this stage, the function of State regulation of the economic reform processes should be implemented through the ministries.

In order for the sectorial staff to make the transition to the new functions more quickly and efficiently, it must be structurally reorganized. The ministry should be converted into a new type of organization, ensuring the economic, financial and scientific-technical development of the sector. It would be worthwhile here to depart from copying the structure of the lower units, including the production, technical, planning, legal, supply, accounting, financial and other subdivisions. After all, the functions of enterprises and ministries are now completely different. In addition, in this structure there is a deprivation of responsibility on the part of the staff workers, who are engaged in only individual aspects of the economic activity.

The work of the ministry collegium should be changed in principle, on the basis of the new functions of the staff and methods of implementing them. Its organizational structure must also be changed, and its staff be expanded through the directors of the leading associations and enterprises, and if possible, the appointment of the collegium members by election be ensured. There should be broad *glasnost* on the subject of all indicators, norms, obtained incomes and their distribution and wide information for the collectives of the associations and enterprises on all the indicators of the production, economic and social activity of the sector and each enterprise.

Finally, a point-blank question: is it possible to conquer bureaucracy by cutting back the administrative staff only 2-3-fold? After all, the force of the bureaucrats is not only in their number. For example, in the ministry apparatus, consisting of 1000 persons, those who make decisions can be counted on the fingers of one hand, and the rest

prepare them. A simple reduction in the number of administrative personnel yields nothing in this sense. There can be only one outcome—a major change in the assignments, functions and methods of administration and sensible determination, allowing for this, of the size of the staff.

The atmosphere of secrecy piling up around the measures to improve the staff is also amazing. When the problem was solved as to what the State enterprise would be like, the opinion of the appropriate workers was widely taken into consideration. They did not forget to take into consideration the opinion of the cooperatives as well, when the laws concerning them were discussed. For some reason, though, the fate of the ministries is decided without them themselves? No one asks their opinion and no proposals are required from them. Information on the forthcoming elimination or merging periodically reaches the workers of the appropriate sectorial staffs through various sources, and they are not in a state of alarm and tension for overly long. Why do we find out about the next reorganization by radio, television and from the newspapers? Who needs this secrecy?

The questions require an answer. They must not be underestimated. After all, the fate of the economic reform depends in many ways on what the ministries will be like after their reorganization.

### Industry Urged To Adopt Lease Relations

#### Regulations Explained

18200376 Moscow *EKONOMICHESKAYA GAZETA*  
in Russian No 20, May 89 p 11

[Letter to the editor from T. Dyakova, Moscow economist, and article by S. Fatyjanov: "New Horizons of Independence"]

[Text] Letter to the Editor

The Regulation on the Economic and Organizational Foundations of Leasing Relations in the USSR was published in No 19 of *EKONOMICHESKAYA GAZETA*. I would like to know what fundamentally new elements this document introduces into the procedure and system of concluding contracts on leasing relations and what this will now mean for collectives which made the transition to leasing relations last year?

Leasing has finally become a full-fledged form of economic activity. Indeed, in all branches and segments of the economy, including the cooperative sector. Before issuance of the ukase of the Presidium of the USSR Supreme Soviet dated 7 April 1989 and entitled "On Leasing and Lease Relations in the USSR," this form of cost accounting (*khozraschet*) did not have a solid legal basis. Now, it already seems strange that even the USSR Law on the State Enterprise contains not a word either about the leasing of property or about the lease as a contract. It only points out that the enterprise has the

right to lease to other enterprises and organizations buildings, installations, equipment, vehicles, tools and implements, raw materials, and other physical articles (Article 4, Paragraph 4).

Simultaneously with the ukase, a decree of the USSR Council of Ministers dated 7 April 1989 approved the Regulation on the Economic and Organizational Foundations of Leasing Relations in the USSR. Now, then, the lease does have a legal basis. Leasing collectives must structure their activity in accordance with that basis.

Those lessees who instituted leasing relations before adoption of this decree of the USSR Council of Ministers are granted the right to conduct their economic activity on the basis of rental contracts concluded previously. However, they may also take advantage of the new normative acts.

### Where To Begin

The Regulation on the Economic and Organizational Foundations of Leasing Relations in the USSR establishes three forms of leasing: the leasing of property of enterprises (organizations), leasing within the economic entity (the lease or leasing contract), and leasing to a family or individual. The terms and conditions under which means of production are turned over, the procedure for calculating the rent, relations with the state budget and the bank, and the forms and methods of interaction between the lessee and the lessor are determined in this context. But before making the transition to the new form of self-management, the work collective must unfailingly obtain consent of the superior body (the Regulation does not stipulate the specific mechanism for obtaining that consent, its form and content, nor the procedure for appealing the refusal of the superior agency).

Once the consent of the superior agency has been obtained, the next step of a work collective that wishes to become a lessee must be to form an organization of lessees. This form of juridical person is being instituted for the first time in the practice of our economy. Why has it been created? Above all because of the need to fully realize the principles of self-management, self-financing, and self-monitoring (samokontrol). Experience in implementing the basic principles of the Law on the State Enterprise has shown that the principal levers for management nevertheless remain in the hands of the enterprise management and the superior organization (the ministry, department). The work collective, its council, and other elective bodies clearly perform a secondary role in deciding the most important issues in economic activity.

When the organization of lessees is created, the work collective in essence becomes the owner (khozyayin) both of all the state property that has been leased and also of the product produced. The general assembly of

lessees becomes this organization's supreme body of management. It elects a council (board) and its chairman (approval of the latter by the superior agency is no longer required). We should recall that under the new ukase the lessee is guaranteed the same protection of his right to the property obtained under the lease as that established by civil legislation of the right of ownership.

At the same time, the issue of the lessor cannot be considered resolved at this point. Consistent with the logic of the present USSR Constitution, the lessor could only be the soviet of people's deputies, and by no means executive bodies. However, under the normative documents adopted previously and the new ones the lessor's rights have been held entirely by the organization superior to the enterprise association). We assume that as leasing relations develop in our country, this problem will be given a solution that is altogether scientifically sound.

### The Basic Document Is the Lease

What tasks does the newly elected council (board) of the organization of lessees face? First of all, of course, preparation of the draft of the lease whereby the property of the state enterprise is taken over by the organization of lessees. And then conclusion of the contract with the enterprise's superior agency. It should be borne in mind here that the lessee becomes the legal successor of the enterprise with respect to all its financial and other rights and duties. In addition to the lease, the organization of lessees must (once again in agreement with the lessor) draft its bylaws and record them with the authorities of the USSR Ministry of Finance.

The lease is the basic document regulating the lessor's relations with the lessee. It is concluded voluntarily and on the principle of full equality of the parties (it may also be concluded on a competitive basis).

The lease first of all stipulates the absolute amount of rent (broken down by years). This amount includes depreciation to cover full replacement of fixed capital and that portion of the resources of the repair fund that depends on the level of the lessor's participation in the reproduction of fixed capital, as well as deductions to the centralized funds and reserves of the lessor, that is, the superior organization.

Experience in the development of leasing relations in 1988 showed the high effectiveness of its introduction for enterprises operating at a loss or low profitability during the period fixed for preferential conditions of the lease. The new normative documents have established a rather broad spectrum of benefits for organizations of lessees. They include the following: reduced rent, postponement of the first payment of rent, the granting of subsidies to expand production and to solve social problems, the granting of commercial credit on preferential terms and conditions, and so on.

The lease stipulates not only the rent, but also mandatory payments into the budget adjusted to the value of fixed capital being leased and "own" working capital, the supply of labor resources, deductions from gross income into the state budget and local budget, and the volume of natural resources being used in the production operation. Revision of the size of the payments stipulated in the lease is allowed only when there is a change in centrally set prices, depreciation rates, and the rates of deductions into the repair fund.

In the process of development of the new economic principles, the problem of centralized normative determination of cost-accounting income has probably been discussed the most. As is well-known, at enterprises operating according to the first and second models of economic activity, essentially all economic incentive funds are strictly subject to standard rates. As for lessees making the transition to leasing relations, until the normative acts were adopted on 7 April 1989 they were granted the right to independently determine the size of the fund for development of production, science, and technology, and the fund for social development provided the growth rates of labor productivity exceeded the growth rates of the average wage.

By contrast with the procedure previously established (in order to create guaranteed conditions for the lessees to develop science, technology, and production), the new regulation **envisages that the lease will stipulate the amount of resources** (in an absolute amount or in a share of cost-accounting income), **which the organization of lessees will commit to development of production, science, and technology**. By agreement of the parties to the lease, a certain share of cost-accounting income to be committed to remuneration may also be fixed. If there is no such understanding, then the organization of lessees must under all circumstances guarantee that the growth rates of cost-accounting income calculated on a cumulative basis from the beginning of the year exceed the growth rates of funds actually spent to remunerate labor. A penalty that after all is rather severe is being introduced here—**should the organization of lessees violate those conditions, it will have to pay into the budget out of its cost-accounting income twice the amount of the overexpenditure of resources to remunerate labor**.

But it should be borne in mind that in 1989 and 1990 the ratio between growth rates of the remuneration fund and the growth rates of income will be set in the lease on the basis of the standard rates previously established. Once the corresponding system of taxation has been instituted (it is now being worked out), the optimum ratio between the share of cost-accounting income to be committed to reproduction and the share of funds for remuneration will be guaranteed by means of that system.

#### With the Status of Co-owner (Sokhozayin)

When the transition is made to the leasing model of economic activity, the work collective of the enterprise, more precisely—the members of the organization of

lessees—then has an opportunity to form, but only from its own resources, the **share fund of members of the organization of lessees**. The purpose of the fund is to motivate them to create new productive capital and to make every member of the work collective a coowner of the enterprise.

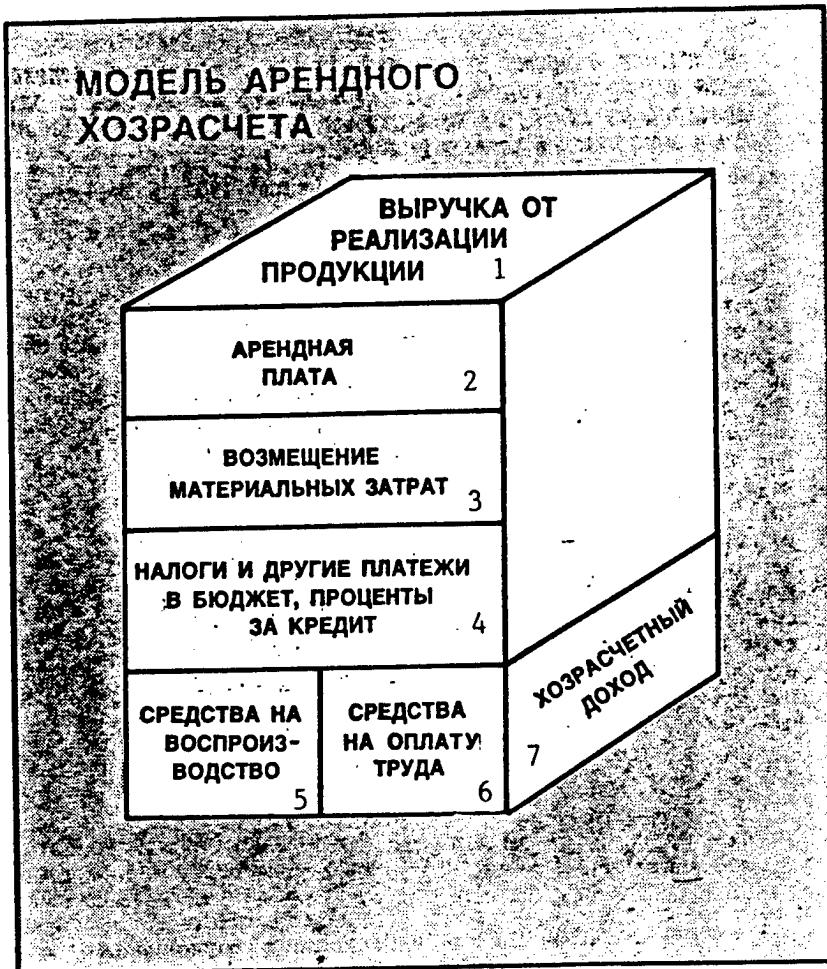
The specific portion of the annual value of the growth of fixed productive capital newly created from the resources of members of the organization of lessees must be stipulated in the lease. As for the procedure followed in forming and using the share fund, it is defined in the bylaws of the organization of lessees. It is important that the resources of this fund be subject to distribution among members of the organization of lessees and payable into personal accounts in proportion to their specific contribution of work.

Interest at a rate set by the general assembly of lessees is credited annually on the resources of the share fund and paid out of cost-accounting income. The income realized by members of the organization of lessees annually in the form of interest will accumulate in their personal accounts and may be used as they see fit. Should a lessee leave the organization, he may retain the right to obtain his share of the income (by decision of the general assembly of the organization of lessees). But when the lessee retires, that right is retained even without decision of the assembly. Should the organization of lessees be liquidated, the resources in the share fund are to be paid both to the members of the organization and also to all other persons who have retained the right to obtain income from that fund.

One very essential condition in economic activity is established for all lessees. **Even though the output produced by the organization of lessees is its property, the lessees must sell that output at wholesale prices, purchase prices, or negotiated prices according to the procedure envisaged for state enterprises**. By that same procedure, the organization of lessees can acquire raw materials, supplies, and other materials and equipment. As for output produced over and above the amounts envisaged by the lease, the lessees have the right to sell it as they see fit (unless otherwise provided by the lease or by legislation).

The term of the lease is an important item in the lease. In essence, it defines a period of stable work of the lessees under unchanging economic conditions, which is an advantage of the leasing form of cost accounting. Previously, the term of a lease could not exceed 8-15 years. Under the ukase of the Presidium of the USSR Supreme Soviet dated 7 April 1989, a **lease on land, buildings, installations, and property of enterprises as a whole must as a rule be long-term in nature—between 5 and 50 years or longer**. Thus, in 1989 a lease could be concluded, for example, to cover the period up to the year 2040.

Model of Leasing Cost Accounting



Key:

1. Proceeds from product sales
2. Rent
3. Reimbursement of material costs
4. Taxes and other payments into the budget, interest on loans

5. Funds for reproduction

6. Funds for remuneration of labor

7. Cost-accounting income

It should be emphasized that the USSR Council of Ministers has imposed an obligation on ministries and departments to do everything to invigorate the effort to develop leasing relations in the sectors of the economy (paramount attention must be paid here to using the opportunities which have been opened up by the lease to overcome deficiencies such as low profitability or operation of enterprises at a loss). Broad glasnost must promote the performance of this effort so that work collectives, the public and local soviets of people's deputies are informed in detail about the intentions of enterprises, ministries, and departments in developing leasing.

Experience of Industrial Combine  
18200376 Moscow *EKONOMICHESKAYA GAZETA*  
in Russian No 20, May 89 pp 12-13

[Article prepared by V. Voronov, V. Brin, N. Prihodko, and V. Yanovskaya: "The Formula for Success"]

[Text] At this point it is important to make...a decisive transition from creating individual collectives operating on a lease to operation of all subdivisions of the economy on leasing principles, so that they embrace interconnected cycles within the economic entity. (From the report of M.S. Gorbachev at the March (1989) Plenum of the CPSU Central Committee)

**The "Veshki" Pilot Production Store Fixtures Combine (Moscow Oblast) was the first among industrial enterprises of its branch to make the transition to leasing in December 1988. As the entire combine made the transition to leasing relations, all of its structural subdivisions—shops, auxiliary services, and the staff offices of plant management, also began to operate under leasing arrangements. How were they able to knit together the interests of all the plant collectives, how has the mechanism within the economic entity been operating, and what benefit has been achieved thereby?**

### **What Road To Take?**

The "Veshki" Combine had particular preconditions for the transition to leasing. The second model of cost accounting, which has been in use since mid-1987 in the industrial "sector" of RSFSR Mintorg (to which the combine is subordinate), already had that important advantage which is the "bone of contention" at enterprises of industrial ministries. The conditions of self-financing in "Veshki" made it possible to break down the "barrier" between the fund for development of production and the fund for social development. A single fund for development of production and social facilities (which in itself brought conditions for the conduct of economic activity closer to those of leasing) was formed here by applying one rate. The formation of a unified fund made it possible, of course, to be more flexible in maneuvering the enterprise's resources, and it was easier to undertake a necessary business maneuver. The collective's interest in the end results of production guaranteed a substantial rise in the efficiency of the combine's activity under the conditions of self-financing. The enterprise's gross income increased almost 30 percent for the year, labor productivity rose 29 percent, and the average wage rose 23 percent. And this when the overwhelming majority of the output was sold at state list prices and when the state order covered two-thirds of the volume of production.

Encouraging results were achieved. But an analysis conducted at the enterprise forced the plant economists to engage in reflection: it showed that during the year of operation on the basis of self-financing the potential on the surface had already been exhausted, and there was a need to go further and deeper. It became obvious that a further rise in production efficiency was bound up solely with a deepening of cost accounting, with bringing the incentives for a growth of income and resource conservation to every subdivision and to each individual worker. How is cost accounting (khozraschet) to be deepened?

It was felt that when the transition was made to self-financing at the combine, much was done to improve the intraplant system. The principal shops were converted to cost accounting (a limited cost accounting, to be sure). Intraplant prices had been worked out, and income had begun to be planned and recorded for the principal shops. The shops were assigned a remuneration fund that was formed at a progressive rate depending on the size of

income. Expansion of the independence of the shops was promoted by decentralization of the enterprise's economic and technological departments. In the principal shops, positions were established for an economist, a bookkeeper, and a production engineer (tekhnolog). At the same time, the combine's economic departments were consolidated: the planning department, the production offices, and the OTiZ were combined into a single production planning office.

But now, after a year of operation in the new way, it has turned out that all of this was not enough. It became clear that the interests of plant subdivisions have to be joined together along the entire organizational and technological chain that results in the output of the specific product for the market and the realization of income.

The discussion of various alternatives crystallized the decision to convert the subdivisions to leasing: the lease would afford greater opportunities for independence in the "earning" and distribution of cost accounting income. But at that point something else was also revealed: the system of internal leasing relations could be set in motion only if the entire enterprise made the transition to leasing.

Why is that the case? Well, because the lease, which is concluded for a long term, determines stability in the enterprise's relations with its superior agency. And without those stable external relations the enterprise's management cannot conclude long-term contracts subject to a guarantee even with its own subdivisions.

So that is how it happened that external leasing matured, as it were, from within, became a necessary and logical extension of the process of improving the mechanism within the economic entity under the new conditions. We should note that in making the conversion to leasing the combine received substantial assistance from personnel of the office for analysis and mathematical economic modeling of economic systems of the Central Mathematical Economics Institute of the USSR Academy of Sciences.

How does the new internal economic mechanism work?

### **From the Separate Income of the Subdivisions to the Income of the Enterprise**

The collectives of all the combine's subdivisions—principal shops, the department for development and reconstruction, the technical department, the department for material and technical supply and sales (OMTS), and the motor pool—were converted to leasing. Changes had to be made in the enterprise's organizational structure. For instance, the staff services under the chief mechanic, the chief electrician, and the repair and construction subdivision were unified within the department for reconstruction and development. Cost-accounting units were in turn identified within certain of the leasing subdivisions because of particular features in the organization of

production and work and in the technology. These are cost-accounting links in the second shop and in the department for reconstruction and development. In the motor pool, an individual lease was introduced for drivers. It should be said that the identification of the cost-accounting units occurred on the initiative of the leasing collectives themselves.

Before the transition to the conditions of internal leasing, gross income was determined only for the combine as a whole and for the principal shops. But now, **every leasing subdivision forms its gross income, and the gross income of the combine is the sum of the income of the leasing subdivisions.**

Thus, the interests of the combine and of its leasing subdivisions have been joined within the framework of a single objective: realizing gross income.

**At "Veshki," all supporting production operations are economically tied to the shops producing products for the market. The income of the shops producing for the market is the basic source of income for all the other subdivisions of the enterprise. The services of the supporting subdivisions are paid for out of the proceeds from the sale of products.**

The foundation (supporting skeleton) of this system of cost-accounting relations within production are long-term leases. They are concluded by every shop with the subdivisions that support it by rendering services which are permanent in nature. Under the leases, the technical department, for example, guarantees to provide mechanical engineering and process engineering support of series production in each of the principal shops, the OMTS guarantees the principal shops uninterrupted supply of materials and sale of the products produced, and the department for reconstruction and development guarantees that the equipment in the principal shops will be maintained in proper condition.

The administrative department, which consists of the director and his deputies, the planning office, the book-keeping office, and the other administrative and managerial personnel has also been converted to partial cost accounting. The growth of the administrative department's remuneration fund depends on the growth of the aggregate gross income for the enterprise as a whole. One percentage point of growth for gross income increases the fund for remuneration of the work of the administrative department by 0.75 percent. That is why the enterprise management is motivated to do everything to promote the growth of the gross income of each subdivision.

**All the leasing subdivisions have the same procedure for formation and distribution of gross income** (see the diagram). Out of proceeds from sale of products and services, the leasing subdivision reimburses its material costs (and equivalent expenditures) and pays for the services of other subdivisions. Out of the gross income it

realizes, the subdivision pays the rent (it is not a fixed amount, but a share of the gross income. Cost-accounting income is formed as the difference between the gross income and the rent and is used to form the subdivision's fund for development of production and social facilities and to form the unified remuneration fund. Income from the sale of products and services, payments for physical resources acquired and services rendered are recorded in the combine's bookkeeping department in the subaccount of the leasing subdivision.

Possibilities for the growth of the fund for remuneration of the subdivision are limited by the standard ratio between the growth of gross income and the growth of the remuneration fund. The ratio of 0.75 is established for all the leasing subdivisions. That is, every percentage point of growth of gross income allows the remuneration fund to be increased by 0.75 percent. Moreover, the share of the remuneration fund in the gross income of the leasing subdivision decreases steadily.

The gross income of leasing subdivisions is formed on the basis of internal prices. The intraplant price coincides with the wholesale (release) price if the particular product is produced from start to finish in one shop. If the article is manufactured by several shops jointly, then the sum of the internal prices of the shops is equal to the wholesale price of the enterprise. The intraplant price is determined in accordance with the planning calculation of the costs of the article's production in the shop. The consumption of principal materials and the basic wages are determined in the planning calculation from standard allowances in accordance with the technological process. Internal contract prices are set both on the products of the principal shops and also on the services of the supporting subdivisions. Accounts under one-time contracts are settled among the leasing subdivisions with checks from settlement books which are not subject to a limit.

#### **Calculation of the Contract Price for a Die Manufactured by the Department for Reconstruction and Development for Shop No 2**

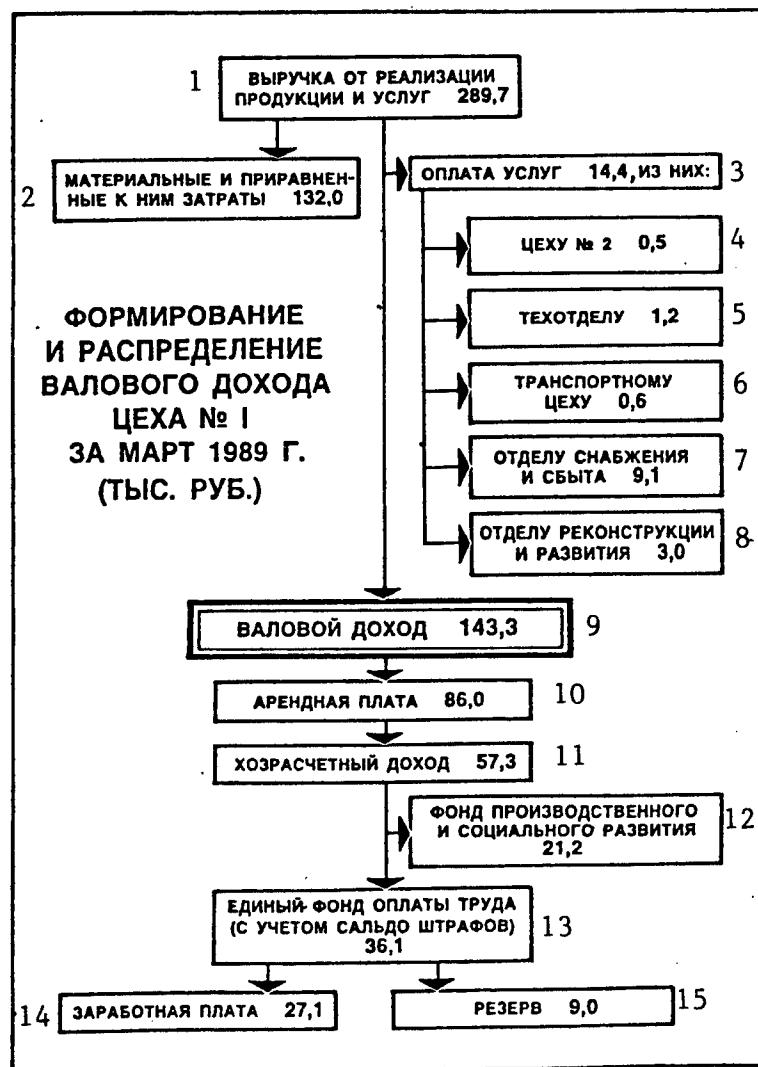
**The agreed time for making the die—40 hours. Material cost determined on the basis of the pertinent standards—25 rubles. Hourly wage rate of the tool- and diemaker (assuming a 40-percent bonus)—1.204 rubles.**

**Remuneration will be as follows in the contract price:**

$$1.204 \text{ rubles} \times 40 \text{ hours} = 48.16 \text{ rubles.}$$

When this figure is multiplied by the overhead coefficient established for the department for reconstruction and development, we get the gross income of the department from making the die:  $48.16 \text{ rubles} \times 2 = 96.32 \text{ rubles}$ . The overhead coefficient is defined as the planned ratio between gross income and the fund for remuneration in the

Formation and Distribution of Gross Income of Shop No 1 for March 1989 (thousands of rubles)



Key:

1. Proceeds from sale of products and services
2. Material costs and equivalent expenditures
3. Remuneration of services..., broken down as follows:
4. To shop No 2
5. To technical department
6. To the motor pool
7. To the supply and sales department
8. To the department for reconstruction and development

respective leasing subdivision. When material costs are added to the gross income, we get the contract price of the service of making the die: 96.32 rubles + 25 rubles = 121.32 rubles.

9. Gross income
10. Rent
11. Cost-accounting income
12. Fund for development of production and social facilities
13. Unified fund for remuneration of labor (adjusted for the net result of penalties)
14. Wages
15. Reserve

Are cases possible when internal contract prices are hiked up? Of course. They occur as a rule after the work has been done. The subdivision which is the customer then has a right to appeal to the arbitration commission

of the enterprise, which on the basis of a study of the accounts submitted by the entity performing the service and the customer, makes the final decision. If there has been a violation, then twice the amount of the excess is withheld from the remuneration fund of the subdivision performing the service and credited to the fund of the subdivision which ordered it.

Proceeds determined on the basis of internal prices for the sale of products and services must be sufficient to cover material and equivalent costs, to make settlement for services with other subdivisions of the enterprise, to credit a portion of gross income to the centralized fund of the enterprise by way of rent, and to form in the planned proportion the remuneration fund and the fund for development of production and social facilities. Deductions from the gross income of leasing subdivisions must in turn make it possible for the enterprise as a whole to make the planned deductions paid into the state budget, to pay the rent, to do construction of projects for production and social purposes, to form the fund for remuneration of the work of the administrative department, to cover costs of maintaining housing and residential services, and other plantwide costs. The amount of the rent for the enterprise's cost-accounting subdivisions is in fact determined on the basis of these requirements.

Since opportunities for a growth of income vary from one leasing subdivision to another, the problem arises of the differentiation of the amount of the lease payments. The question of the level of deductions from gross income of the individual subdivisions was worked out in detail by the planning department and then examined by the enterprise's workers' council. The list of products produced has been renewed almost entirely in the last 3 years in the enterprise's principal shops, so that the potential for resource conservation does not differ essentially in the shops. It is in connection with that circumstance that deductions from gross income to the centralized fund of the enterprise are the same for the shops—60 percent.

The shop's gross income, as already noted, is formed as the difference between the cost of the product and services sold and the material (and equivalent) costs, as well as expenditures to pay for services to the subdivisions of the enterprise. This procedure for the formation of gross income guarantees the shop's motivation to maintain a steady effort. Now, the product not only has to be produced, it also has to be sold. Products produced but lying in the warehouse do not increase the size of gross income and the remuneration fund of the shop. Whereas previously as much as 30 percent of the combine's monthly production program had by the end of the month accumulated in the finished products warehouse, now the warehouse is practically empty.

#### How They Pay the Managers

The procedure for formation of gross income motivates the shop to strictly monitor funds going to pay for services provided by supporting subdivisions. The

smaller the proportion of those resources, the larger the shop's gross income. Each of the principal shops concludes contracts with the department for reconstruction and development. The department guarantees quality repairs and proper working condition of equipment in the shop assuming its normal operation. The shop commits itself to crediting a certain monthly amount of money for that purpose. The size of that amount is determined in accordance with the number of repair workers and the cost of remunerating their services. The number of repair workers necessary is established by agreement between the shop and the department for reconstruction and development.

For example, a mutual agreement established that four repairmen would be sufficient to maintain the equipment of Shop No 1 in operating condition. Their monthly wages (assuming a bonus of 40 percent, the 13th monthly wage, paid regular vacation, and material assistance) are 1,272 rubles. The share of the remuneration fund in the cost-accounting income of the department for reconstruction and development is 80 percent according to the plan. In order to pay the wages of 1,272 rubles, the cost-accounting income must be this: 1,272 rubles : 0.8 = 1,590 rubles. Cost-accounting income amounts to 60 percent of gross income (30 percent of gross income is deducted for rent and 10 percent to cover the overhead of the department). So, gross income as a whole is as follows: 1,590 rubles : 0.6 = 2,650 rubles. Compensation must also be made for material costs in repairing equipment in the shop, which under the agreement are set at 200 rubles per month. This leads to setting the amount of 2,850 rubles, which under the contract Shop No 1 is required to pay monthly to the department for reconstruction and development.

In connection with long-term conclusions of the shop's contract with the enterprise's technical department, the size of the amount paid monthly for mechanical engineering and process engineering support of series production is determined on the basis of the same principles as in the shop's contract with the department for reconstruction and development. An agreement is reached as to how many workers are required to keep abreast of the production process in the shop. The size of gross income the technical department must have to build up resources to remunerate its workers is calculated.

The funds which come in from shops under contracts are not sufficient for the technical department to pay the full amount of wages to its personnel. But the department can receive additional funds to remunerate labor if it concludes one-time contracts with shops to develop new products, to apply new processes, to improve the design and production technology of series-produced products (remuneration in this case is fixed by agreement between the parties in accordance with the economic benefit).

The income resulting from improvement of a product's design or production technology is divided between the shop and the technical department as a function of who took the initiative to improve the product. If it was on

the shop's initiative, then the technical department receives at least 15 percent of the amount of the benefit achieved. If it was on the initiative of the technical department, then at least 25 percent of the amount of the benefit realized goes to it. Thus, there is motivation on both sides to apply mechanical and technological innovations, which promotes the growth of gross income of both the shop and the technical department.

It is important that the shop has the right to conclude a contract for preparation of design and process documentation and progressive technologies not only with the combine's technical department, but also with outside organizations and individuals. Consequently, the technical department ceases to have a monopoly. What is more, some of the design and technology work may be done by shop specialists and creative teams created within the shops.

It is interesting to devise contractual relations between the shops and the department for material and technical supply and sales. The department furnishes the shops materials and components and sells (ships) the product produced. The shop pays the OMTS 4.6 kopecks for every ruble of allocated materials released from the warehouse. The department is thus motivated to use as little material as possible in order to increase its income. A contradiction thus arises between the interests of the shops and the interests of the supply department. But it works for the overall interests of the enterprise and for a growth of its income. The OMTS is now trying to have delivered to the warehouse only those materials which the shops will take. On the other hand, the shops now have an additional incentive to conserve materials in order to pay less for supply services. Here, the OMTS is motivated to furnish the shops allocated materials in the necessary assortment and on a regular basis. Otherwise, it will have to make reimbursement from its own remuneration fund of 8 percent of the value of the product that was not delivered in time because of disruptions in supply.

As for materials not subject to allocation (not envisaged in the plan), they are supplied at a negotiated price: no longer at 4.6 kopecks for each ruble of materials, but at 10-15 kopecks. The reason such a high contract price was established is that unallocated materials are far more difficult for supply people to "get hold of." What is more, unallocated materials are released as a rule in small lots, which does not make it possible to put a full load on vehicles and results in higher transport costs.

The shop also pays for the services of selling its products (2 kopecks for every ruble of product sold). Here, the interests of the shop and of the OMTS coincide. Both strive to increase the volume of sales, which results in larger income for each of the leasing subdivisions.

The efficiency of the activity of the OMTS is determined by comparing the actual and standard cost per ruble of materials obtained and per ruble of product sold. In

essence, the standards in this case are the intraplant prices for the services of supply and sales. They are set so that the OMTS will be able to reimburse its own expenses and form gross income in an amount sufficient to form the fund for remuneration and the fund for development of production and social facilities at the planned level.

The internal prices of the services of delivering materials and selling products include shipping costs and freight handling. Reduction of these costs is one of the most important sources of larger gross income for the OMTS. Another contradiction arises here—between the interests of the OMTS and the motor pool. How are they getting out of the situation at the enterprise?

Goods are now carried under orders of the OMTS by the enterprise's drivers, who have converted to the individual lease. The carrying of goods is paid for in accordance with the state price list, and the total amount consists of two parts: payment for the time (hours) required to carry out the order, and payment for the distance of the haul (for each kilometer of the run). The hourly payment and payment for kilometers are differentiated by truck models.

The time necessary to carry out the order is determined on the basis of the truck's average speed and average loading and unloading time. This is monitored by the shipper. It is understandable that agreement on the distance of the haul and especially the time necessary to carry out the order customarily invites fierce disputes between the customer and the driver. But the result is what counts. And the result of these disputes is a reduction of the transport costs of the OMTS and simultaneously of the enterprise.

Checks have been introduced to pay for the hauling of freight. The amounts obtained by means of the checks are recorded in the driver's personal account. Out of the amounts received, the leasing driver pays expenditures for fuel and lubricants, replacement parts, depreciation for full replacement of the vehicle, services of current repairs and servicing, and he makes deductions for social insurance. Out of the gross income that remains, he pays 10 percent as rent to the enterprise's centralized fund and between 10 and 30 percent (depending on the truck model) to reimburse overhead and for formation of the motor pool's fund for development of production and social facilities. Everything that remains becomes the earnings of the driver.

Thus the procedure for formation and distribution of the gross income of the leasing driver is the same as for the leasing subdivisions.

Conversion of the drivers to leasing has made it possible not only to reduce the enterprise's transport costs, thereby increasing gross income correspondingly, but it has also eliminated an old disease, the shortage of trucks to carry freight. Now, there are even extra trucks....

Of course, in and of itself the opportunity for the leasing subdivision to increase its gross income and remuneration fund still does not motivate every worker to work more productively. When work is remunerated according to rate schedules and salaries, it is rather difficult to get away from leveling in distribution of the remuneration fund and to overcome the contradiction between the interests of the individual worker and those of the collective of the subdivision as a whole. When remuneration is based on piecework, the worker knows that no matter how fast he works, his earnings will not exceed a certain amount. Salaries, which are established in accordance with the organization chart, also do not make it possible to evaluate the real contribution represented by the work of a manager or specialist. Accordingly, at the "Veshki" Combine a system of remuneration is used that is not based on a rate schedule. As an enterprise converted to leasing, the combine has the right to independently define the conditions and organize remuneration in its cost-accounting subdivisions.

In the system of remuneration that is in effect at the enterprise, the wage of a worker represents his share in the remuneration fund of the leasing subdivision and depends on the worker's skill level, labor participation coefficient (KTU), and the time worked.

So, what have the results been from the use of leasing within the economic entity? The combine's gross income for the period January-March 1989 rose 21.2 percent (compared to the corresponding period of last year), the volume of marketed output rose 13 percent, and labor productivity rose almost 40 percent. In the 3 months, the annual plan for production of consumer goods was fulfilled. The times required for development of new products and for putting them into production have been reduced to a fraction of what they were. A new generation of store fixtures has been put into production; in the judgment of consumers, its quality characteristics are an order of magnitude better than the generation being replaced.

**Warning Against 'Half-Measures'**  
18200376 Moscow *EKONOMICHESKAYA GAZETA*  
in Russian No 20, May 89 pp 14-15

[Article by P. Bunic, corresponding member of the USSR Academy of Sciences and USSR people's deputy: "No Halfway Measures!"]

[Text] The ukase of the Presidium of the USSR Supreme Soviet entitled "On Leasing and Leasing Relations in the USSR" has recently been promulgated. A decree of the USSR Council of Ministers entitled "On the Economic and Organizational Foundations of Leasing Relations in the USSR," which sets forth a regulation on this subject matter, has also been adopted. The USSR Council of Ministers has been ordered to prepare and submit to the USSR Supreme Soviet the draft of a USSR law by that

same name. What will the law be like? What above all needs to be taken into account in preparing it? What do theory and practice suggest here?

The industrial enterprises which are referred to today as lessees are frequently not lessees at all in fact. The changes in them come down to consolidating payments into the budget (deductions from profit and the charge on assets), which is established in a fixed amount (previously they were computed as percentages of profit), and then they are pronounced to be lessees. This is only a different form of payments into the budget and has nothing to do with leasing.

Almost all centralized standard rates governing distribution of cost-accounting income, standards governing remuneration of labor, and standard rates governing funds for development, financial reserves, and reserves for repair have also been abolished for the first leasing collectives. There remains only the ratio between the growth of the average wage and labor productivity. In other words, a model of cost accounting almost without standard rates, quotas, and allowances has sprung up. And since it guarantees a direct relationship between the results of production and the remuneration of labor, its application has yielded a benefit, one that is especially noticeable in the initial stage of the transition from the old system of economic activity to the new one. What is more, in both rates and in time the commodity counterpart has been ahead of the growth of the collective's income, "work done" has exceeded and preceded "money earned."

Hereafter, rates governing development funds are to be assigned to leasing enterprises. And the benefit of "leasing" has deteriorated. At the March (1989) Plenum of the CPSU Central Committee, M.S. Gorbachev emphasized that "it is extremely important not to allow distortions of the idea, attempts to pass off for leasing relations forms of economic activity in which the very foundations of leasing have been deformed or are lacking altogether."

#### Cost Accounting in the Initial Stage

Leasing relations require real cost accounting. It has three characteristics: first—payments of enterprises to the benefit of society in accordance with standardized and uniform tax system; second—the internal income remaining (referred to as cost-accounting income) is distributed by collectives independently, without standard rates assigned from above; and third—all planning decisions are made by the enterprises themselves.

If individual payments into the budget are established from above for all enterprises and something more is taken from them, then at best the rent takes the form of a little part that stands separate in them, which changes nothing for the collectives. If funds for remuneration of labor also remain individually assigned and adjusted to the existing number of workers and centralized leveling

rate schedules, then no leasing is going to motivate people to work efficiently. It is not important whether the wage standards are direct and manifest, as in the first model of cost accounting, or "concealed" and indirect, as in the second model, in which only development funds are formally decreed, but in actuality the previous funds for remuneration of labor do remain—after being deducted from cost-accounting income.

Under those conditions, it is possible to work three times better and to receive—according to the leveling "standard rate," a bit more or less. Anyone who works poorly appears to be paid "no worse than others," but per unit of simple labor, per unit of the density and strenuousness of labor—the payment is less [sic]. Everyone knows what this "cost accounting" amounts to. You still eat even if you do not work. And a shortage is created on the market, both the production market and the consumer market.

What is the specific mechanism of real cost accounting? The initial point, where the count starts, is for enterprise proceeds to come from prices based on supply and demand, not costs. Then good and economical goods will be profitable, and expensive goods which afford an insufficient benefit will be unprofitable. Now, everything is just the reverse. Prices are cost-based. The higher the costs, and supposedly the better enterprises will perform. Incidentally, that accounts for the "washing out" of the inexpensive assortment. When low costs do not result in equally low prices, when as a consequence inexpensive products become highly profitable, that is when they will fill store shelves.

What happens to revenues after that? Actual material costs are deducted from them. The so-called added value is arrived at. Can we assume that it belongs to the collective? At first—yes, since it is the collective that has "added" it. But a portion of the "addition" has to be turned over to the state for its expenditures to protect the system, for defense, for health care, for education, for new investments, and so on. That is why taxes are needed (work on them has dragged on intolerably and presumably will last more than another 1.5 years), and the charges on labor resources. The state is also entitled to the turnover tax, which is deducted not from earnings, but from the sales price.

Interest is paid out of the "addition" on bank loans or to enterprises furnishing commercial credits. Some of the "addition" belongs to stockholders who have invested their money in development of enterprises. Deductions should also be made for payment of penalties (penalties received from others are added), for licenses (add the income from sale of one's own licenses), and for philanthropic purposes (add the corresponding receipts).

Whatever is left of the added value does belong to the group as its own, and the collective divides it into consumption and accumulation. The difference between them is not essential, but a matter of time: all the

resources of the collective "are working" for consumption. It is just that some do it directly and immediately and others indirectly and through technical progress and expansion of production. That common attribute which they have, their common purpose, is the "secret" of the interest the enterprise has in its own development. Whoever forgets to strengthen and improve tomorrow's production is dooming himself to a future drop in earnings.

In order to "enhance" the incentive for accumulation, society can raise the tax on the fund for remuneration of labor and even exempt development funds from tax. The proposal of scientists, which fortunately has been adopted, concerning distribution of development funds among the personal accounts of the members of the leasing collective, which are equivalent to shares of stock issued to the best production workers, transforming them (just like the owners of purchased shares of stock) into coowners, can strengthen the enterprise's concern about the future. Interest (dividends) will be paid on those shares of stock—ultimately by virtue of a reduction of the general fund for remuneration of labor, but involving a redistribution of income to the advantage of the progressive workers who are stockholders. Should they wish, the workers have the right to receive the full value of the stock from the enterprises when they cash it in. Then the accumulation fund is directly equated with personal savings in a savings bank with the difference that the dividend may prove to be greater or less than the interest paid. All of these measures taken together will return to enterprises a concern for the future.

In this system, adhering to centralized standard rates of formation of development funds is no longer painful for enterprises, since they themselves favor accumulation. And as soon as that is the case, then these standard rates are superfluous and meaningless.

Unfortunately, the principle of distribution of development funds into shares of stock is not being carried out consistently. The share of the funds subject to distribution is set by the lessor. One might agree with this temporarily, since development funds have been established according to centralized standard rates: for those whose rapid development was "considered" unnecessary, they are set too low, and for those to whom assistance is intended, they are too high. In general, at present these funds cannot be considered to have been altogether earned. But in real cost accounting they will be earned. The leasing collectives themselves must decide how to distribute them. They may divide up all the funds, including the growth of working capital, not merely fixed capital, as is provided. There is no obligation whatsoever to postpone withdrawal of one's share of development funds until the leasing collective is liquidated. This is to be decided in the bylaws of leasing organizations.

"Cost accounting" without assigned standard rates is operating in interfarm enterprises of Moscow Oblast, and something close to it is operating in a number of

enterprises of Minstroymaterialov and certain state enterprises converted to leasing. The March (1989) Plenum of the CPSU Central Committee considered it necessary to grant sovkhozes, just like kolkhozes, the right to dispose of cost-accounting income as they see fit.

The state order has been proclaimed voluntary for sovkhozes and kolkhozes. A system of economic levers has been envisaged in order to stimulate its acceptance by collectives: prices, supply, guaranteed product sales, centralized exporting of products, technical supply, and the serving of processing shops and subsidiary production operations. Entities for management of the basic unit must be formed on a strictly voluntary basis and must become cost-accounting partners of enterprises. Are these rights being exercised in practice or have they remained declarative rights, like the rights of kolkhozes, which acquired verbal freedom under the Law on the Cooperative, but still have not seen it?

The regulation states that leasing collectives are transformed into public organizations, that is, they receive full freedom. Temporarily—until the end of the 5-year planning period, they will still have planned payments into the budget, the standard ratio between the growth of the fund for remuneration of labor and cost-accounting income is fixed, and the development fund will be set in an absolute amount or as a share of cost-accounting income. Lessees are bound by mandatory state orders, which arises out of the provision proclaiming them the successor of the financial and other rights and duties of the previous state enterprises.

This is where we come to the stumbling block: how to combine the assignments given enterprises from above, investments, differentiated payments into the budget, the assigned standard rates for remuneration of labor, and other measures forcing them into the centralized plan with cost accounting, for which all this is counter-indicated. What is more important: the 5-year plan or restructuring? In the present stage, the 5-year plan has triumphed. The same question arises on the threshold of the new 5-year plan: Which will win out, what right is stronger—"serfdom" or democratic rights? The decisive moment has come. It is still not too late to develop new approaches. But the old ones have not died out either.

It is not a question of ignoring the strategic national economic plan. It is a question of up-to-date methods of implementing it that rely on the interests of enterprises. It is assumed that all enterprises will make the conversion to real and strong cost accounting. They compile their own plans, which in the context of that kind of cost accounting will be strenuous, balanced with suppliers and consumers; otherwise they will amount to no more than a "worthless scrap of paper," and they will not bring income to the collectives. There is, of course, a discrepancy between the approximately 20 percent of the plans that are from below and the plan from above. For example, no one wants to make inexpensive things, to produce the most revolutionary and risky technology, to

develop new areas, to create a certain number of jobs with lower efficiency, or to produce for export goods manufactured at a loss. In all these cases, the state must propose to the enterprises profitable state orders. And to do this not after the plans have been drafted locally, but before, in order to avoid conclusion of contracts which the state orders will nullify.

It would seem that the new planning ideology should be implemented beginning in 1990, not postponed for another year. That would mean urgently completing the preparation of taxes that are replacing the subjective "payments into the budget" and all the various versions of "standard ratios," to "devolve" taxes to the local level in good time so that enterprises take regulation by the state into account when they make their planning assumptions. The total amount of payments into the budget must as a matter of fact be preserved at a level no lower than the plan for 1990, but it should be stated as the total amount, not the payments to be made by each enterprise individually, as the regulation requires.

#### The Irreversibility of Leasing

State property has been created by the entire people—workers, cooperators, and individual producers, who have paid explicit and indirect taxes for this purpose, whose remuneration "from the threshold" has been reduced by the value of the surplus product, which has been accumulated by society. Every worker has become a micro cooriginator of the entire wealth of the state, including that which is at "his own" enterprise. That is why their capital cannot be turned over without payment to collectives. At certain enterprises, this capital is very large, at others small. Not because the workers of certain collectives have invested more labor, and those of others less. This has been influenced by centralized redistribution of the property of the entire people, not by the difference in merit from one collective to another. The same should be said about the present property of kolkhozes and consumer societies, the size of which has come about thanks to countless infusions and still more withdrawals of resources and which is essentially governmentalized property, not true cooperative property.

All that is left is to lease out the assets of the state (and those which have been governmentalized). To all—to collectives of state enterprises, to cooperatives, to individuals, and to enterprises small and large. It is not for nothing that the external attributes of leasing have been adopted by the Sumy Machinebuilding NPO imeni M.V. Frunze (with a labor force of 22,000), the association "Soyuzelektrosetizolyatsiya" (16,000), "Dalmoreprodukty" (the country's largest association in the fishing industry), and the administration "Zapstroytrans" of Glavzapstroy (more than 5,000 persons).

Leasing is required both for enterprises operating at a loss and also those which are profitable. The proposal that it be limited to enterprises operating at a loss or mostly to them is based on the tacit premise that leasing is the strongest means of raising efficiency.

If leasing "cures" neglected "patients," then it is still more worthwhile for profitable enterprises which have immense potential which they can add in their operation, potential which is easier for them to mobilize, and to rise to new heights. The decree of the USSR Council of Ministers entitled "On the Economic and Organizational Foundations of Leasing Relations in the USSR" speaks about developing leasing relations everywhere, about their becoming very widespread.

The transition to leasing is not a matter of accident, of goodwill, or ill fate of certain enterprises, but the way in which state ownership has to be implemented, the way in which settlement has to be made for it. One can speak about the voluntary nature of leasing, about choosing between the leasing or nonleasing models only in the sense of gradualness, in the context of the unevenness of maturity of the prerequisites necessary to it. What is voluntary about leasing, to go further, is that the state is not forcing it upon the collective of the given enterprise. If it does not agree to lease the assets—it need not. The makeup of the facilities to be leased cannot be legitimately imposed on the lessees in a "basket," and transformed into an imposed assortment. Their choice must be absolutely free.

Every person has a right to move to another state enterprise, he may enter a cooperative, he may engage in self-employment—with leasing or without it. No one will make an issue of the voluntary nature of the return and repayment of credits, the paying of taxes, customs duties, the freedom of computing amortization, and unrestricted recordkeeping. All of these financial actions are strictly mandatory and subject to standards. So is leasing. If it is made optional, then assuming authentic cost accounting you will have a situation in which some people are paying money for the lease and some are not, some are fulfilling their duty and living less well, while some are shirking it and flourishing without deserving it. It is clear that the nonpayers will end up in the majority.

What we have said does not make leasing universal. Collectives are building up their productive capital more and more by selling shares of stock. These assets make up the collective property of a number of state enterprises and cooperatives, public organizations, and individual citizens. They are not to be included in the leasing sector. Credit is developing. Projects built with it will carry their own "cross": they pay interest on the loans for them, and they repay the principal of the loan. But afterwards—provided the fixed capital still continues in use—these assets must pass over to the ownership of the enterprises, and leasing does not pertain to this capital. And the main thing is that enterprises are forming their own funds for development of production and social facilities. All of these elements which combine cooperative ownership and state ownership have to be firmly set forth in the law.

Those pieces of property which lessees purchase from lessors deserve to be exempted from rent. The ukase says nothing directly about that. Possibly because there is a

fear that exemption from payment on rent on purchased assets might undermine the state sector. But, first, the taxes received from enterprises (the size of which completely predetermines what will be left to cost-accounting collectives), rent payments, and other funds will to a considerable extent be reinvested in production by the state, will yield a new rent, and the state will hold its position as the principal stockholder. The state has a right to invest its resources in new projects through direct and immediate reduction of the payments accruing to it from collectives and by ordering them to spend that money. This augments the capital subject to leasing, not the property of the collectives. Second, when rent payments are properly defined, enterprises are able to maintain normal operation, but by no means will they always realize the resources to purchase the assets they have leased. What is more, the more resources go for that purchase, the less is left for self-development. As a consequence, the collectives will have to decide which is more advantageous, to purchase capital or to create their own new capital. It is like the case of connecting vessels or changing the positions of addends, which does not alter the sum.

#### How Are the Rent Payments Determined?

When a man deposits his money in the bank, he expects to get back the same amount with interest. When the state leases a tractor or an enterprise (money in the physical form of means of production), it also expects to get back their value and to earn something.

In order to get its "money" back, the state compels lessees to credit to it depreciation for replacement of the assets. If the piece of property has been leased for its entire service life, the state must receive all its depreciation, and in the hands of the lessees the piece of property will disappear, will be worn-out. If it remains fit for use beyond the rated service life and the lease, then the piece of property becomes the property of the work collective, which broadens the area of nonleasing relations referred to earlier. This is in line with the provision of the ukase to the effect that leased property may become the property of the lessee when its value has been entirely covered by the rent (it would be more accurate to say—by the depreciation, which is a part of the rent). Should the piece of property "die" prematurely—enterprises must pay in the remainder of the depreciation potentially accruing (and lease interest, which we will discuss below).

The regulation includes in the rent that portion of the resources of the repair fund that depends on the level of the lessor's participation in reproduction of fixed capital. This has to be concurred in. But for the lessor to be able to furnish that repair fund, it first must be created. By what criterion? According to wear. The greater the wear, the larger the repair fund. In other words, this fund is not formed when the repair takes place, but in advance, before it, in the period leading up to it. This method of

forming the repair fund means that depreciation will be credited for repairs, which has now been abolished. Aren't we going back to this problem?

Up to now we have talked about including depreciation in the rent. This provision needs to be spelled out. Suppose that a collective is leasing an underground mine for 50 years, since that is its anticipated life. A portion of the mine's fixed capital serves out the entire 50 years. Transferring to the state the depreciation of that portion will guarantee that by the moment when the mine is closed resources will build up in its hands to create assets of the same kind somewhere else. But there are things in the mine—mine cars, say, which have a life of 5 years. If their depreciation goes to the state, then in 5 years the mine will be left without cars. If it is to go on operating, the state would have to invest the depreciation it has received in new cars.

And that would have to be done nine times. Only the depreciation of the 10th car would actually "settle down" with the state. Is it necessary to continuously collect money only to give it back to the same place? What is the point of the transit financial hauls? It is simpler to leave the depreciation where it is, making it the duty of the lessee to use it for its stated purpose. In this case, the value of the rent will not be reduced by the amount of wear, but will become a constant quantity.

It is very important to leave depreciation with the lessees when entire enterprises are being leased. It is not possible as a rule to limit their life in advance; it is unpredictable. The leasing collectives of these enterprises do not disappear either. Man is mortal, but the collective is immortal. That is why it is altogether realistic to ask about leasing enterprises which have an unlimited operating life for an indefinite period of time when the two contracting parties so stipulate. The ukase allows a lease for a definite period of time—up to 50 years or more. For all practical purposes, this amounts to a lease for an indefinite period. But if property is turned over to the lessee for an indefinite period, then all the depreciation on short-term and long-term assets must be invested in the existing operation and consequently must remain where it is. The regulation requires undisputed transfer of depreciation to lessors.

Now, as to the value at which the assets being leased are let. It should correspond to the present price scale and actual condition of the property. The balance-sheet value of capital assets does not correspond to present prices, nor does the amount stated correspond to the actual amount. Many pieces of property, which in formal terms are new, have been worn-out "until they are fainting"; while others, by contrast, in spite of their great age, still have their "health." That is why the leasing of assets must frequently be preceded by their revaluation, which is not universal and centralized, as was previously the case, but local and decentralized.

Now about lease interest. Its amount depends on the supply and demand for the lease, which differ from asset to asset, from one region of the country to another, and it reflects the scarcity of the product that can be produced and the seasonal nature of a number of requirements. The only thing that can be firmly fixed is that lease interest should as a rule be set higher than bank interest. For in leasing relations, the lessor takes a greater risk than someone who deposits his money in the bank. A higher interest rate is assumed for a risk. Of course, when the assets to be leased have become old, have been allowed to deteriorate, it is not precluded that they might be leased at a lower percentage or without a percentage, even with a subsidy, if before leasing the subsidy was still larger. This is not the rule, but an exception.

Lease interest is rarely applied at the present time (the cooperative "Struna" and others). Instead, the charge on assets has now been included in the rent. It was felt that these categories are equivalent, so that everything is in order. No, matters here are not in order at all. The charge on assets is collected on all assets, including those built with funds for development and credit (once the loans have been entirely repaid). Lease interest can be "imposed" only on assets which have been leased. It cannot be computed on pieces of property whose rated service life has expired. The charge on assets is adapted to the profitability of enterprises; it "robs" those who are strong and gives a lift to dependents. It is used to equalize enterprises performing well and those performing poorly, and it is subjective. The lease interest is by no means an income leveler; it is equally strict and objective toward all. That is why the charge on assets should be abolished and the lease interest introduced. They are utterly incompatible. It makes no sense to collect twice on the assets being leased—the charge on assets and the interest.

The regulation requires a single taxation of assets, but not in the form of the lease interest, but in the form of the charge, which was taken from rent payments and transferred to budget payments. One gets a strange picture: rent without interest! A phenomenon so far unknown to the world. But why, then, lease the assets to the lessee? That is the first question. And the second: Why does the rent in agriculture when leasing is done internally include the normative deductions from cost-accounting (gross) income?

All enterprises occupy pieces of land that differ in their quality and location. Many also use other natural resources as well. Land and these resources are the property of the state. Which means that it also has a right to collect rent on them: a differential rent for the better and average resources, but an absolute rent on all resources as such, including the worst of them. If differential rent were the only kind, then the other resources, which are also limited and scarce, would go without payment and would be used wastefully.

Doubt is also aroused because under the regulation the payments for natural resources are not included in rent payments except for the charge per hectare of plowland (farmland). On the other hand, payments are made to finance superior organizations. In order to break through the palisade of obstacles, leasing enterprises are agreeing to pay off their main administrations and ministries with contributions to finance them. But surely they will later go back on their original promises.

In future, different relations will most likely come about between leasing collectives and administrative centers for managing them. The principal functions of the centers, which consist of day-to-day management of enterprises, will die off. Some subdivisions of branch headquarters will reinforce the branch departments of Gosplan and the Council of Ministers, as was the case with USSR Agroprom when it was abolished, its place being taken by the State Commission of the USSR Council of Ministers for Food and Purchases. Other functions of branch ministries (departments) will pass over to associations (alliances, corporations, and so on) rendering services to enterprises at negotiated prices. There will be no room for forcibly created centralized funds and reserves siphoning money from the full vessel into the empty one.

I am not against restrictions on leasing enterprises. Some of them can and must occur. Particularly suitable are certain conditions that restrict the lease when it is combined with the contract, when the lessee and the lessor take on some obligations. The former, for example, organizes supply, the latter agrees to sell the product to the state at state prices. Thus, the leasing variety of cost accounting without assignment of quotas takes on a contractual modification which applies to the enterprise as a whole. This is a mechanism that deserves the name of the lease contract. The contract is impossible without the lease.

The leasing of enterprises must "sprout" to the shops, the brigades, and work stations. Otherwise, it will not become perceptible to every worker and will hover over him "in the upper layers of the atmosphere." Which means that subletting has to be permitted. And optionally with the consent of the lessor, as required by the ukase. It is important to the lessor that the lessee fulfill all the terms of the contract. And if the sublease does not get in the way of that, then let it develop "and good luck to it."

The sublease can in turn be combined with an internal contract. But it is hardly correct to identify leasing within the economic entity with the lease contract, as has been done in the ukase. Leasing within the economic entity need not be contractual in nature. But the lease contract does not come down to leasing within the economic entity, which frequently embraces enterprises as a whole, as we said above.

Many collectives are leasing certain internal subdivisions without becoming leasing enterprises themselves. It seems to me that the time has passed for such halfway measures. There can be no healthy molecule in a diseased cell. It is advisable that shops and other subdivisions be leased together with the enterprises (associations) as a whole. Then there is hope of success.

In the early going, as full-fledged cost accounting and elaborate self-financing, true leasing and the contract are introduced, there will be enterprises that are limping for objective reasons, and there will be those that take off. They will need special temporary regulators. A majority is able to operate in the new way even now.

#### Political Change Makes Economic Reforms 'Irreversible'

18200338 Moscow *EKONOMICHESKAYA GAZETA*  
in Russian No 17, Apr 89 pp 19-20

[Interview with Academician Stanislav Sergeyevich Shatalin by correspondent M. Panova: "Irreversibility of the Reform"; date and place not given; first paragraph is *EKONOMICHESKAYA GAZETA* introduction]

[Text] The economic reform has already traveled a considerable portion of its path. How should we evaluate what has been achieved, what is considered the main thing in subsequent work, and what comprises the conditions of irreversibility and the quality of socialism in the changes occurring in economic life? Our correspondent M. Panova interviews Academician S.S. Shatalin about these matters.

[M. Panova] Stanislav Sergeyevich, achievements on the path of economic reform are still frequently measured by the extent to which the new forms of management and the second model of cost accounting have been introduced, as well as by the development of lease-type collectives, the volume of wholesale trade, the spheres where contract prices are used, etc. But these are merely indicators of economic processes. How do you view the big picture of renovating economic life and the main trends of the changes occurring in the economy? Wherein lies their irreversibility?

[S.S. Shatalin] The question as to what makes our reform irreversible is probably the most difficult question now confronting us.

It would be naive to consider that yesterday we had a command-administrative economy, and tomorrow there will be an economy of full cost accounting, economic management methods, self-financing, the market, and market relations.

Let's just take the case of our personnel, for example. It cannot be thought that persons who for decades were brought up and educated under the conditions of a command-administrative system along with its corresponding economic and political stereotypes of thinking

have suddenly changed and, in a single hour, become transformed into Soviet "businessmen," or that all managers and administrators understand the new economic methods and, with their help, know how to manage a farm or other enterprise and know how to introduce market-type conditions. We are dealing here with human material, with that planned-economy leadership which evolved over decades. All too often even those who are pleased with perestroika and are prepared to devote all their effort to it still have not idea of how to best do this.

Many major economists who have, obviously, correctly appraised the economic situation state that radical economic reform must be based on changes, on a revolution in property relations. Yes, they are correct. We need a renovation, a revolution, radical changes. We cannot avoid this. We also need a consistent implementation of the goals of reforming the political system.

We still continue to hold fast to the same old scheme: the economic base, the system of production relations—the superstructure, including the political system. The base determines the superstructure; fundamentally speaking, it has the last word with respect to economic relations. Is such a one-sided, straight-line treatment of the interrelations existing in public life trustworthy and correct? The realities are such that we cannot mechanistically consider that only the following relations exist: base—superstructure, base—political system. All this is profoundly interrelated and interdependent. And, therefore, if we seek the conditions of irreversibility for those changes which have begun in our country, then we must take this circumstance into account.

The erroneousness of this habitual scheme is to be seen if only in the fact that very many economic processes cannot be explained solely in terms of economics. Their existence and their correlations are also linked, to a considerable extent, with political, superstructural relations.

Let me cite just one example—the motivational mechanism of management. It's undoubtedly true that that social system will prevail where the motivational mechanism of management is stronger and has a greater capacity. But it must not be thought that this mechanism can be reduced merely to characteristics having to do with the base. Because, you know, the opinion is frequently expressed that the main thing is to strengthen material incentives, and everything will then be, supposedly O.K. This, of course, is incorrect; such a simplified understanding of the actual motivational mechanism yields nothing.

Here, in this area, we have not yet won the game against capitalism.

It is said that we also need other economic components, for example conditions of employment. Yes, conditions whereby full, economically efficient employment is

ensured do likewise constitute an extremely important factor of the motivational mechanism, as do labor conditions in general. But we must likewise take into account the society's moral and ethical values, its political structure, cultural standards of work, and the nation's culture as a whole. All this comprises the most obligatory elements of the motivational mechanism and the efficient utilization of production resources.

Therefore, irreversibility of the economic reform can be achieved as a result of radical, revolutionary changes not only in the economic base, but also in the political structure, corresponding changes in the sphere of culture and in the system of moral and ethical values.

We still need to thoroughly and fundamentally study our actual society rather than repeating dead schemes which set up a straight-line opposition between socialism and capitalism. Scholarship must analyze even more fundamentally the basic opposing principles of the social systems, the advantages of socialism, and the possibilities for their actual manifestation, without confining ourselves to an analysis of merely the economic base of society.

[M. Panova] But just where is the main thrust of the changes in property relations ensuring the irreversibility of the economic reform?

[Shatalin] When speaking about socialist property, economic scholars, unfortunately, do not always precisely explain wherein its revolutionary changes properly lie.

Just what will ensure a change in property ownership—cooperatives, leasing, the farmers' path in agriculture? Or does this include the spread of leasing to state property as well? What is this—simply the introduction of shares, bonds, and other securities? If so, then it requires explanation. In any case, we cannot choose to be figures of silence, calmly speaking about the multiple forms of property ownership, especially in rural areas, without raising the question of what is to be done with state property. After all, it is decisive for us in particular and for everyone in general.

We have to pose the following question point-blank: do we or don't we need radical changes in the nationwide ownership of producer goods? I do not want to issue any ready-made prescriptions; this matter requires some more thought and research. I can say only one thing here: unless we seriously stipulate steps with regard to state property, and unless we take precisely this factor into account, we will be simply marking time.

Let me repeat once more: I consider the destiny of state property ownership to be an open question, a matter of radical changes in what we call the property of the entire nation. Here it is not enough to proceed along the conventional path of cliches—full cost accounting, its first or second model.

I do not call for the immediate transformation of state property ownership; we're not yet ready for that now. But it's perfectly evident that we must, in theory and in practice, reply to the following profound question: can we construct a socialist economy which would be more efficient than that of capitalism unless we change the system of state property ownership in the name of all the people? No models of cost accounting will solve this problem.

Let me say in passing that the first model and the second model and the third model of cost accounting—and as many of them as you care to think up—simply cannot create that ideal system of cost-accounting indicators to which we have always aspired, substituting sold output for normative-net, then for net, etc. We have concerned ourselves for too long a time in searching for a system of ideal cost-accounting indicators. I am deeply convinced that this is a kind of quest for the philosopher's stone, an attempt to solve the problem of squaring the circle. There is no such system of indicators. And we need to abandon the search for it, to stop wasting our efforts on it. It has now become perfectly obvious that neither the first nor the second model of cost accounting have solved those radical problems which confront our country. They do not provide any real impulse to speed up scientific and technical progress, to improve product quality, and all those very important economic parameters which we must change radically because we are patently lagging behind the West, and this lag is becoming greater.

[M. Panova] But just how should we develop our forms of economic management? What should we be guided by in studying the experience of our own country and others, including the capitalist countries? How should we proceed in winnowing out this experience? We need criteria in order to be firmly convinced that we have embarked upon a socialist path and that the forms of economic management chosen by us are socialistic ones.

[S.S. Shatalin] There exists a divergent point of view, which is ascribed to Marx, Engels, and Lenin, to the effect that socialism is based merely on state ownership of producer goods. I do not think that this is a correct position, nor that one can find in these classic works such a single-valued definition of socialism. I do not consider the presence of state ownership of property to be an obligatory criterion of socialism if one is speaking only in economic terms. I consider that a pluralism of property relations, such as is now gradually evolving, is a more correct understanding.

Hence, not a simplified treatment of state property ownership, but rather the concept of a multi-subject, more hierarchical property system—this is one of the criteria of a real socialist society. There are many subjects, i.e., property owners, including the state, who ensure a genuinely socialist society.

To consider that the chief criterion is state ownership of property, and we have assumed this for a very long time, is incorrect. In point of fact, socialism presupposes, as it seems to me, a very large range of property relations in all spheres of our economy.

When analyzing the criteria for the quality of socialism, we must not forget the social and political criteria.

It's obvious that such forms of economic management as share-holding societies, serious leasing, and serious development of securities, also comprise a path to be discovered, in general, by practice and illuminated, more or less, by theory; this is a path along which we could travel by shunting aside the economic aspect of our entire social system.

It seems necessary that state enterprises be placed as soon as possible under management conditions which are the same as those under which cooperatives function. Here would be a completely constructive way to begin actually and radically to change property-ownership relations in the state sector as well, to set up equal management conditions for everybody. It's my profoundest conviction that this is the direction matters will take. To be sure, here we need to think very carefully about matters of regulating the tax system.

The problems of tax policy and taxation are now undoubtedly becoming central and basic to our economic policy. For a long time they were decided solely in terms of fiscal goals, for the purpose of serving and replenishing the state treasury. It's not surprising that credit-finance relations seemed absolutely unnecessary; we began to build a material type of socialism, without economic interests or motivations, without markets or shares of stock.

The economic reform must lead us to wholesale trade and to a well-developed consumers' market. At present everyone is scolding the planning and economic organs for the slow progress being made in this direction. It is said that they do not understand anything. Everybody understands everything splendidly. Nobody doubts that we need a market. But we have turned out to be in a very difficult position. It's extremely hard to set up and fine-tune this market because, professionally speaking we don't know how to "launch" it. Socialism hardly excludes the centralized regulation of a market; we have to study this.

We must introduce a serious, progressive tax on all kinds of income, including that of cooperatives. Such decisions are now being prepared. I think that the future will see a tax system even in the present-day state sector. Norms will gradually be replaced by a tax policy with regard to enterprises so as to regulate their development. I maintain that this is the mainline route to follow.

It is, of course, impossible to create an economic model of socialism from the ideas stated above. They are more like preliminary brushstrokes to sketch in its new portrait. Again I repeat: we need to move in the direction of cooperatives and in the state sector. Of course, it's a matter of management conditions and the rights which cooperatives possess. There is sufficient economic authority, let's say, in a tax policy so that the strategic problems of paramount importance for our development do not elude the influence of the society. There's no need to fear that too many rights will be transferred to the enterprises. That's a naive delusion which evolved during those years when there was a forced pace of industrialization—we won't enter into the matter of whether that was justified or not. At present such a danger seems to be simply a relic of the past.

A state order—normal, precise, deciding problems of selling targeted production programs, creating the social infrastructure, problems of accumulating reserves of strategic products, construction of the necessary, special-purpose projects, as well as the overall financial and credit regulation of relations in the economy—these are the actual levers of the economy's centralized administration.

We can likewise be utterly calm about allowing enterprises to participate in investment activities, having taken care to exclude large-scale investment projects which will not bring in any quick returns. All this can be fully regulated by measures of economic policy.

However, the reality is such that, without falling into illusions, we will need to have recourse to command, administrative methods during the next five-year plan. We need time to alter our own management philosophy and practice, to learn well how to operate on the basis of economic methods. Then we will gradually arrive at a more market-type economy, but with an obligatory centralized administration of strategic problems of national-economic development. Let me emphasize that a well-thought-out state order, a thoughtfully conceived tax policy, expanded responsibility, independence of enterprises—these are the key problems of our economic development. Here are several criteria for the quality of socialism in the economic sphere.

The principle of socialism must include a serious, ramified system of social guarantees and social protections for the individual human being. And, finally, socialism is a society which provides genuine freedom of choice, real democracy, self-government, which is implemented in a specific type of political system—the people's power.

[M. Panova] Let's pause and go into greater detail on the matters of social justice and social protection.

[S.S. Shatalin] It has long been considered correct to assert the following, which, in my opinion is a dogma and a pagan myth: a society can be economically efficient but less socially just, or the other way around. Our

country has usually been considered to be a society where social justice is higher and economic efficiency lower. And we were proud of this.

But, in point of fact, economic efficiency and social justice are not antipodes; they are interrelated and complement each other. It's impossible to exchange them for each other. Successful achievements in the economy, to a considerable extent, make it possible to move forward in the area of social justice, social protection at work, health care, as well as conditions of everyday life, work, and the ecological environment.

On the other hand, social protection measures exert a most favorable influence on increasing economic efficiency. And so here is a real feedback mechanism in the economic and social spheres. And there are countries where such correlations exist. There are not many of them but they do already exist. I don't see anything shameful in our drawing upon the experience of these countries, if we are able to do so.

Social reorientation of the economy is one of the fundamental lines of radical economic reform. This is, at one and the same time, both a condition of its success and an indicator of this success, and thereby a condition of the irreversibility of our beginnings, inasmuch as they ensure the well-being of the people. A great deal of work has developed in this area, there have been genuine shifts in the investment structure, in strengthening the base of the social sphere materially, in rendering paid services, and even in producing consumer goods. But there are many difficulties here, and we need to talk about them in particular.

To return then to social guarantees, in our country primary concern for them has been assumed by the state. But funds could also be attracted from firms and from people themselves, as is done in Western countries. How is a pension acquired, for example, in Britain? It amounts to approximately 80 percent of the average wage. In our country, for the sake of comparison, this figure is less than 40 percent. Their pension system is based on funds from business, the state, and the citizens themselves. These three sources create such conditions as to allow them to have very good, solid pensions.

Here then is one example of real state intervention in the national economy and elements of social protection for an individual human being. The same can be said about health care and public education. In all developed countries there now exist a combination of funds and efforts on the part of the state, business, and the citizens themselves for the purpose of providing for social rights.

If we take any of the parameters characterizing a society's social development—pensions, level of disease, mortality, indicators of the social sphere, it will become clear that in all of them we greatly lag behind the developed capitalist countries. Moreover, our lag with regard to the Gross National Product is substantially less

than it is for the parameters of social development—education, health care, and pension security. This is an alarming symptom, and we must give it serious thought.

[M. Panova] Just what are those ideals of social life which scholars and laymen alike should view as their goals?

[S.S. Shatalin] Work is the key to answering the question about social justice under socialism. A full, multifaceted, equal attitude toward work which an individual prefers; it is the fundamental basis of social justice in the society toward which we are proceeding.

A necessary element in social justice is not only the universality of participation in work, but also the possibility of choosing a desired occupation, one which would allow each person to fully realize his capability. Speaking of socialism, in its principle of "From each according to his abilities—to each according to his work," we usually emphasize only the second part, but, of course, the first part also exists. Creating a system of labor public relations wherein each person would be placed in such a situation that he could fully realize his capabilities is the most important task in the system of social justice.

Let's return to the second part of the principle, which assumes equal pay for equal work. We don't have this yet. Thus, for example, a work in the same field of specialization and with the same level of skill receives different wages at enterprises of light and heavy industry.

Therefore, in a socialist labor society, it's absolutely necessary to implement the thesis: equal pay for equal work. The method of accomplishing this does not have to be the notorious wage-rate system.

Another extremely important principle of social justice is persons having equal access not only to work which suits them and is psychologically compatible, but also to all material, spiritual, and cultural goods and services. Its understandable that we still have a long road ahead of us before we reach this goal both to increase production efficiency and to restructure the distribution system. For the time being, the accessibility of goods and services is extremely diverse. Let's just cite the fact that persons living in rural areas, due to the poor development of the roads and the low level of the service sphere, cannot take advantage of the many achievements in the field of the amenities.

Colossal funds are needed in order to implement the principle of equal access. It is a gigantic task, requiring a gigantic amount of resources not in order to level these matters off but at least see to it that there are substantial trends to even out the access to goods and services for people living in major cities of the capital type, in medium-sized cities, small towns, and villages. This important element in the system of social justice still needs to be approved and consolidated by our work.

There are also all kinds of departmental systems of distribution. Various enterprises offer various benefits to their own employees. But, of course, the Moscow ZIL and a small factory in a remote area have very different possibilities in this regard.

Now with the rebirth of full authority on the part of the local Soviets, we need to look at these problems differently. That money for solving social problems which we now distribute via the ministries and enterprises can be given to the Soviets. The republic, oblast, and local organs of power can concern themselves with medicine, ecology, public education, personnel training, housing, and food. Along these lines much can be accomplished by developing the principles of self-government and self-financing of the Union republics.

We must analyze more deeply the designation and utilization of public consumption funds. They must be spent in a targeted manner on social needs rather than to redress shortages which have accumulated in our country with regard to labor distribution.

[M. Panova] Renovation of property relations presupposes certain shifts in society's political structure. What we have in mind here is primarily the development of self-government and true people's power. The elections of USSR people's deputies which took place demonstrated both the importance and the multiple significance of certain processes.

[S.S. Shatalin] Again it can be repeated that the superstructure and the political system play a gigantic role in developing a society, including the economy, and in radically transforming the relations of property ownership. In my view, in the matter of the irreversibility of the economic reform, the multiplicity of forms of property ownership is even less of a guarantee than the creation of the up-to-date, democratic, truly socialistic system of the people's power. One thing is connected with the other, but even I, a professional economists, attribute more importance to the changes in our political structure. Elections with alternative candidates were among the first steps along the path of building a political system which is adequate to present-day socialism.

The elections showed that our people are politically mature, want real changes, and speak out decisively for them. An exceptionally positive appraisal of the elections just held is that they became a real expression of the thesis that the people are the main guarantors of perestroika's irreversibility.

The elections showed precisely that our people are the true guarantors of that policy which the party is conducting. The pre-election campaign, the nomination and selection of candidates compelled everyone to think seriously about our problems, to justify and adopt a definite decision. The party took a very wise step in thus

beginning such a serious discussion on the most troublesome aspects of our socioeconomic development. The party proved once again that, on the whole, it has a program of actions, is not afraid to admit its own mistakes, understands its own responsibility, and is capable of performing the role of society's political vanguard. This is also a very important factor in the irreversibility of perestroika, a pledge of the fact that we have begun a big breakthrough along all lines of our development.

**Wage, Enterprise Leveling Threaten Economic Reform**  
18200404

[Editorial Report] Leningrad LENINGRADSKAYA PRAVDA in Russian on 14 June 1989 carries on page 2 a 1700-word article by A. Chubays, senior lecturer at the Engineering and Economics Institute, entitled "A Conflict Economy, Or What Do We Expect from Perestroika?" The article criticizes recent administrative measures that encourage enterprise leveling and threaten to derail the present economic reform movement.

The author points to the January 1989 Council of Ministers decree "On Measures to Eliminate Shortcomings in the Present Practice of Price Formation" and to the "Letter of Four," signed in January by officials from the State Planning Committee, the Ministry of Finance, the State Committee for Statistics, and the State Bank. That letter mandated that all wage increases be tied to an equal increase in worker productivity. According to the author, these two measures, examples of the old administrative-command style of economic management, contradict "the letter and spirit" of the Law on State Enterprises. Such measures limit enterprise independence and benefit only those enterprises that choose to "mark time" in the hope that perestroika will be abandoned. For the enterprises that try to implement cost accounting and to take advantage of greater autonomy, the measures "undermine faith" in the reform process.

The author compares the present situation to the economic reforms of the 1960's as a reminder that when those reforms caused sharp differentiations in incomes and threatened the jobs of ministerial employees, they were watered down. That step reinforced the practice of "leveling," the redistribution of resources "from good enterprises to bad," which led in the end "to the castration of the 1960's reforms."

Chubays goes on: "It is time that we recognize that perestroika is not possible without serious conflicts. It is impossible to carry out radical reform in such a way that it is painless for certain social groups.... The Law on State Enterprises stipulates that an enterprise may be shut down for long-term unprofitability, insolvency or a lack of demand for its product." He emphasizes that unless the Law is enforced, the practice of enterprise leveling will continue and the "ideology of reform will be destroyed."

**Wage, Productivity Guidelines Still Circumvented**  
18200327 Moscow EKONOMICHESKAYA GAZETA  
in Russian No 16, Apr 89 pp 6-7

[Interview with V.M. Sychev, chief of the Consolidated Division of Social Development and Labor of USSR Gosplan, by Nataliya Prikhodko, EKONOMICHESKAYA GAZETA correspondent: "Stop the Avalanche"]

[Text] The new procedure for determining the correlations between the increase in wages and in labor productivity in 1989-1990, approved on 18 January 1989 by USSR Gosplan, the USSR Ministry of Finances, USSR Goskomstat and USSR Gosbank, or the "letter of the four," as it is now called, has brought a great many questions from enterprise workers. How can it be explained?

Nataliya Prikhodko, a correspondent of the newspaper, speaks with V.M. Sychev, chief of the Consolidated Division of Social Development and Labor of USSR Gosplan, on this subject.

[Prikhodko] Viktor Mikhaylovich, a flow of telegrams and letters is going, as we know, not only to the editors of EG, but also to the Council of Ministers, Gosplan and the ministries. Among them are some very angry ones. Just what causes this splash of emotion? Is it the very fact of establishing a normative correlation as the control measure for payments from the wage fund?

[Sychev] No, the normative correlations between the growth rates of the average wage and labor productivity in industry, construction and railroad transport and in a number of other sectors was already established from the beginning of the five-year plan: in 1986-1987—included in the yearly plans, and beginning in 1988—included in the economic norms for converting enterprises to full cost accounting and self-financing.

The arguments stem rather from the new methodology for calculating this normative correlation and from the introduction of measures for economic action if it is violated. The bank institutions will now make a quarterly verification of adherence to the normative correlations, and a monthly one for individual enterprises, coming, so to speak, from confidences. Resources will not be allotted from the wage fund in excess of the sums due to the collectives according to the approved normative correlation.

[Prikhodko] What was it like before there was verification?

[Sychev] It was, it must be said, fair: the normative correlation was usually adjusted only according to the year's totals. This led to the efforts of the collectives during the year being directed toward earning profits and incentive funds, and labor productivity remained seemingly in the background. In case of violations, the wage funds were only held in reserve. The main thing is that

the control proceeded in accordance with the so-called calculated average wage: it did not include the sums of the savings utilized according to the wage fund as the result of releasing a number of workers, bonuses for 100-percent fulfillment of the supply plan, for the output of goods with "N" and "D" indices and a number of others. The procedure established by the letter of 18 January 1989, will put these payments under control.

[Prikhodko] Does this mean that all the payments from the wage and material incentive funds will fall under control?

[Sychev] The only exception will be bonuses for putting production capacities and facilities into operation, paid for through the construction funds, incentive amounts for producing consumer goods issued above the plan at non-specialized enterprises, as well as payments for an authorial honorarium. For the enterprises and organizations engaged in construction in the regions suffering from the earthquake in the Armenian SSR, additional expenditures for payment to workers at wage rates or salaries 25 percent higher than the wage rates are not counted.

[Prikhodko] It is clear that these changes in methodology cannot be arranged by enterprises which selected the shortest and easiest way to "earn" the funds—raising prices instead of reducing costs and increasing labor productivity. I wish to recall here the fact that EKONOMICHESKAYA GAZETA has repeatedly written about the unearned incomes related to an unsubstantiated rise in prices, particularly through markups for the "N" and "D" index in light industry. In the first issue of the weekly this year it was noted, for example, that in 1988, at the enterprises of the BSSR Ministry of Light Industry, 40 percent of the income increase was obtained through price markups. Incidentally, in response to this article, V. Kalyuzhnyy, chief of the Main Economic Administration of the USSR Ministry of the Light Industry wrote: "In 1988, from 15 to 80 percent of the increase for individual groups of commodities and goods was ensured through the price factor—changes in the assortment and an increase in the specific proportion of more expensive goods and commodities."

[Sychev] Let me try once again to correct the figures with respect to all the sectors of the national economy. According to our estimates, the value factor gave a wage increase in 1988 of a minimum of 6 billion rubles. The most alarming thing is that the trend is increasing, which is evidenced by the results of the work of all sectors of physical production in the first quarter of this year.

In many ways because of the unwarranted price increase in the national economy, serious violations were made of the established correlations between the increase in labor productivity and the average wage. I recall that in 1988 the wages for workers and employees grew on the whole for the national economy by 7 percent and in the physical production sectors—by 6.9 percent, but those of labor productivity—by 5.1 percent.

**According to Data from the USSR State Statistical Committee**

**Increase in the Average Wage and Labor Productivity for the National Economic Complexes and Ministries (January-February 1989 for the corresponding period of 1988, in percents)**

	Wage growth rates	Labor productivity growth rates (estimate)
<b>Metallurgical Complex</b>	110.9	103.0
USSR Ministry of Ferrous Metallurgy	110.7	102.7
USSR Ministry of Nonferrous Metallurgy	109.1	102.4
USSR Main Administration of the Gold and Platinum Industry	117.4	109.8
<b>Machine Building Complex</b>	113.2	107.7
USSR Ministry of Heavy, Power and Transport Machine Building	116.2	110.6
USSR Ministry of the Electrical Equipment Industry	119.1	108.8
USSR Ministry of Chemical and Petroleum Machine Building	111.2	105.8
USSR Ministry of Machine Tool and Machine Building Industry	114.6	111.5
USSR Ministry of Instrument Making, Automation Equipment and Control Systems	119.0	113.0
USSR Ministry of Automotive and Agricultural Machine Building	109.2	104.9
USSR Ministry of Construction, Road and Municipal Machine Building	116.3	107.0
<b>Wood-Chemical Complex</b>	113.5	103.8
USSR Ministry of Petroleum and Petrochemical Industry	118.1	110.7
USSR Ministry of the Chemical Industry	115.9	104.4
USSR Ministry of Mineral Fertilizer Production	110.6	102.0
USSR Ministry of Medical and Microbiological Industry	113.7	107.9
USSR Ministry of the Timber Industry	111.8	105.2
USSR Ministry of the Light Industry	114.8	106.1
USSR Ministry of the Construction Materials Industry	110.8	106.0

[Prikhodko] Judging by the table of the growth rates of wages and labor productivity for the national economic

complexes, this year the situation continues to become more complex. There is not a single ministry where productivity even made an effort to catch up with wages....

[Sychev] Indeed, the distance is increasing catastrophically. On the whole for the national economy, in two months the wage growth rates were 111.8 percent, while those for productivity were 105 percent. We all realize what a wage increase leads to, if consumer goods and services are not provided. This process can be called nothing but inflation. We know that today in the country, for example, there is a commodity mass of only 22 kopecks per ruble of wages.

The rapidly progressing confusion on the consumer goods market and the accumulation of cash among the population have made it necessary to seek urgent measures which would, within the limits of the norms of the Law on the State Enterprise, establish the rights and obligations to call a halt to this tendency. As such a measure, considering the extreme situation in the country's monetary circulation, the government made the decision to allot funds to the enterprises and organizations for wages in strict accordance with the normative correlations approved by it, and USSR Gosplan, the USSR Ministry of Finances, USSR Goskomstat and the USSR Gosbank prepared and adopted a new procedure to determine them. It called for stopping the avalanche of unsubstantiated payments.

[Prikhodko] You mentioned the Law on the Enterprise. I have in front of me a packet of letters and telegrams. The addressees are varied. From the Kirzhach Silk Production Association in Vladimir Oblast, the general director and chairman of the council of the work collective appeal to the editors. From Barnaul—the chief of the OOTiZ [division of organization of labor and wages] of a cotton combine, from Rostov-on-Don—the chief accountant of the Sevkarzvelektroremont Production Association.... The authors ask: Is the new procedure for establishing normative correlations contradictory to the rights of the enterprises granted them by the Law. Here, for example:

"In the opinion of the council of the plant's work collective, the procedure adopted on 18 January 1989 is a deviation from the principles of stability and immutability of the long-term norms determined by the USSR Law on the State Enterprise (Association) and a return to the methods existing earlier of planning 'from what has been achieved.'"

This is from a letter signed by V. Koryagin, chairman of the STK [sector of technical control] of the Elektrostal Electrometallurgical Plant. What can you say about this?

[Sychev] No, the new procedure for quarterly issuing of funds for wages is within the limits of the normative correlations and is not, in our opinion, contradictory to the Law. On the contrary, this procedure directs the enterprises precisely toward fulfilling their obligations, related

to article 14 (p. 4) of the Law. I recall that it mentions that the enterprise is obligated to ensure that the labor productivity growth outstrips the average wage increase.

The normatives have actually changed, however. This did not happen because of the change in the methodology of their calculation: formerly they were approved by the increasing total for 1985, and should now be recalculated for the level of the preceding year.

[Prikhodko] But the production workers write that 1988 turned out to be too varied at the enterprises: some saved up all three years for the introduction of new wage and salary rates, some tried assiduously to save raw material and materials, counting on an additional influx of income.... They have now ended up with a loss. Was it worth it to change the base so sharply?

[Sychev] The new procedure specifies quarterly verification of adherence to the normative correlations. On the basis of this, it was necessary to give up correlating the results of work up to 1985, since it was during the preceding years of the five-year plan (there is no methodology for quarterly correlation to the 1985 level). Therefore, the need arose to convert their earlier approved correlations and transform them into new ones.

Of course, the new normative correlations should take into consideration the way in which the enterprises operated in the preceding period from the beginning of the five-year plan. The correlation should be increased for the one who conserved and did not achieve the norm in 1988, and this is the majority. Let us say, it was determined in the amount of 0.5 in 1988. The enterprise prepared to introduce the new rate conditions for payment and saved wages, and the actual level of correlations was 0.4. This should in no way be taken into consideration in establishing the new normative correlation in 1989. In addition, the amount of the normative should take into account the funds for introducing rayon coefficients and raising the amount of service markups, stimulation of consumer goods production for the non-specialized enterprises and the State order in the machining sectors of industry and individual types of production in the raw materials sectors.

It must be said, that as the result of this conversion, for most of the enterprises the amounts of normative correlations determined for them increased. For example, for the enterprises of the USSR Ministry of Electrical Equipment Industry, the norm rose from 0.5 to 0.87, for the USSR Ministry of the Machine Tool and Tool Building Industry—from 0.55 to 0.87, and for the USSR Ministry of the Chemical Industry—from 0.6 to 0.9.

[Prikhodko] Unfortunately, as the letters from the readers show, the specific conditions of the ministry by no means take into consideration all the cases. The enterprises writing to the editors are offended about the fact that the ministries "treat everybody alike" and there is a leveling

approach. I present a letter, which was signed by A. Sergiyenko, chairman of the STK, on the instructions of a conference of the work collective of the Yenakiyevo Plant:

"Our plant collective has been converted to new wage and salary rates since 1 January 1988. The preparation for the wage reform began a long time ago, and there was an accumulation of monetary funds. As a result of implementing a set of measures, the labor productivity for the three years of the five-year plan rose by 34.2 percent, and the average wage—by 21.7 percent. The correlation between the growth rates of labor productivity and of wages, given the assignment for the five-year plan of 0.8, was actually 0.6. In accordance with these rates the average monthly wage for the plan, allowing for payment from the material incentive fund, should be 250 rubles a month at the end of the five-year plan.

"However, because of the change in the method of calculating the normative correlation, the average monthly wage for us can now grow to only 241 rubles by 1990. Therefore, on the average, each worker will not gain, but will even lose 9 rubles a month."

[Sychev] In this case the USSR Ministry of Building Materials, having established for the enterprise a normative correlation for 1989, has failed to operate in accordance with the methodology determined by the "letter of the four." From the adjusted indicators, the unequivocal conclusion can be drawn that the correlation should be determined as larger.

[Prikhodko] Here is a telegram:

"The 12,000-member work collective of the Ukrmetallurgremont Trust of the USSR Ministry of Ferrous Metallurgy, operating in accordance with the second model of cost accounting, categorically objects to the normative correlation established for it between the increase in YEFOT and the increase in gross income. The changed normative correlation leads to an enforced reduction in the wage level in the last quarters of 1989 through the payment made at the beginning of the year of a one-time award for the results of economic activity in 1988...."

[Sychev] Unfortunately, in this case it is impossible to say definitively whether the ministry acted correctly with respect to the trust: there are insufficient data for this. One thing is obvious: if, according to the results of the work in 1988, the actual correlation is lower than the norm, its size in 1989 should be increased. It is possible, however, that the enterprise paid the remuneration in higher amounts, not taking into consideration the need to adhere to the normative correlation. In this case, it must be rather worried about putting into effect the additional measures to raise labor productivity or revise the estimates of expenditure of the wage fund, after having reduced the individual points in it.

[Prikhodko] This question (also asked by the readers): for whom is the new procedure distributed, and does it take into consideration the conditions of economic operation according to the second model and leasing relations?

[Sychev] The new procedure is applicable to the state enterprises, associations and organizations of all sectors of the national economy for which it is distributed by the effect of the USSR Law on the State Enterprise. Falling under its influence are, let us say, supply and trade enterprises and, of course, the scientific institutions and planning organizations. It is equally applicable, but allowing for special features, to those working according to both the first and the second model of cost accounting, including leasing enterprises. For the latter, the correlation is determined by a comparison of the growth rates of payment from the unified wage fund and the income growth rates.

[Prikhodko] All the same, Viktor Mikhaylovich, let us acknowledge: the procedure adopted, and the one now necessary are best evaluated as temporary. The main goal probably lies not in restricting the use of the wage fund, but in creating an improved mechanism to form it. In this way, it would appear, the unmerited increase in income can most quickly be stopped.

[Sychev] I agree, and the searches for this mechanism, objectively evaluating the forces of the work collectives for more stepped-up, efficient work, are now being carried out by the central economic departments. The new approaches are primarily related to the taxation of the enterprises' revenues. In this sense it is interesting, in our opinion, to present the experience of the Sumi Machine Building Association, where with an accelerated increase in wage funds, the total excess is being taxed.

[Prikhodko] This is the most recent example. The letters from our readers ask for discussions and explanations of how the calculations are made for the normative correlations, and more often, that specialist advice be given on specific questions related to the new points in the economic life of the enterprise under the conditions of full cost accounting. The editors would like, in consideration of these wishes, to open a special column, which would give this special advice. Could USSR Gosplan perhaps help to organize it?

[Sychev] All right, we will be pleased to take part in this.

### PLANNING, PLAN IMPLEMENTATION

#### 1988 Official Statistics Distort Economic Performance

18200369 Novosibirsk *EKONOMIKA I ORGANIZATSIIA PROMYSHLENNOGO PROIZVODSTVA* in Russian No 4, Apr 89 pp 116-125

[Article by G.I. Khanin: "Reflections on the 1988 Figures"]

[Text] In the article being offered below to the attention of readers, the author analyzes the economic results of the past year on the basis of his own alternative calculations. The editors intend to continue the discussion of the methodology used in computations of the most important national economic indicators and to draw specialists and statistics into it.

The economic review was at one time a very popular genre in our country. To be sure, at this point it is not easy to find living witnesses of that popularity; one must judge solely from the press: this was in the twenties. More accurately, up until 1929. At that time, our statistics were respectable in the quantity and quality of economic information, so that it was possible to analyze the situation in the economy more or less objectively. After 1929, the statistics began to be deceiving with respect to many indicators, and it became impossible to write objectively about matters in the economy. The genre began to "die out." Now that our social life is undergoing democratization, it is time to think about reviving it. It is very important to capture trends in economic development in good time, since economic illnesses, just like human diseases, are easier to treat in the early stages.

To be sure, the situation is still bad with instruments used to detect diseases of the economy. Our statistical service has been indifferent to criticism directed toward it, and still, just as in old times, it is treating consumers of its product to a great deal of unreliable data. But in the great volume of figures it reports, there are fortunately some which are more or less reliable, and this affords a chance to get our bearings, and that is exactly what we are in reality doing. Quite a few people want to get their bearings. The author himself has been among them for many years. He would like to believe that readers recall the article he wrote jointly with V. Selyunin, entitled "Cunning Figures" (NOVYY MIR, No 2, 1987), in which the results of those explorations are described.

#### What Is That Supposed To Mean...?

The first thing that catches one's eye in statistical summaries up until 1988 is that they contain no comparison to the previous year. I am not revealing a great secret if I say that that is right where good economists begin to study a summary. Long years of familiarity with our statistics have taught them that the disappearance and reappearance of particular figures is rarely accidental. Usually, the "bad" figures disappear, and they reappear when the matters they concern have come right.

The absence of population data in the summaries is a true wonder: since it ceased to be a state secret 32 years ago, Goskomstat has correctly (twice a year) reported to the Soviet people how many of them are living on our soil. It did this even in the late seventies and early eighties when demographic processes were quite unfavorable. What compelled it this time to conceal such a very important social and economic indicator? An accident perhaps, a technical error? But then we see that RSFSR Goskomstat does exactly the same thing. And at this point you begin to think that something may have happened with our population that is not altogether good. Here in Tuva, where I am working now, everything is in order with the population: the local Goskomstat, as

before, has been reporting data on the size of the population as of 1 July: to be sure, for some reason in the section "Environmental Protection."

It takes only the disappearance of such an important figure as the size of the population to darken an economist's mood. But there are also many other mysterious disappearances in the summary. There are no figures on the production of a number of products in physical terms. Not merely certain small and insignificant products, but very important and even key products: figures suddenly disappeared on the output of AC electric motors. You do not have to be an economist to understand that the production of the overwhelming majority of machines depends on them. But something even more definite has been observed: the real growth rate of the output of machinebuilding almost precisely corresponds to the rate of output of these electric motors. Without them, consequently, it is difficult to get a handle on the growth rate of machinebuilding. Aside from figures on the production of electric motors, the figures have also disappeared from the annual summary on the output of turbines, industrial robots, grain-harvesting combines, cotton pickers, prefabricated reinforced concrete, asbestos, window glass, synthetic resins and plastics, caustic soda, sulfuric acid, commercial timber, and so on.

It is true that data have appeared on the output of special and specialized metal-cutting machine tools and those built up from standard units, large power machines, and construction glass. Even the numerical change is large: 13 have disappeared, 3 have appeared, but in addition there is a very large difference in the economic significance of the products that have disappeared and those that have appeared. It is visible even to the naked eye. As a consequence, it is almost impossible to understand what is happening with the remaining products of machinebuilding and the chemical industry, since the most important products have disappeared. And how is one to learn what is happening in the building materials industry when there are no figures on the output of prefabricated reinforced concrete, asbestos, and brick?

What did economists use (the author included) when they tried to discover the real situation in certain branches? Above all, the growth rate of output in physical terms. It is not affected by machinations with prices—the most widespread means, but what is to be done when the published reports do not contain figures on the most important products in physical terms? An even more seditious question arises: Did not these products disappear because the situation with them is not very good? This way, two birds get killed with one stone: You pull the economists by the nose, and you spare the Soviet people the bitterness of bad figures....

We have not exhausted the list of information losses in Goskomstat's summary, but what we have said is sufficient for us to be very cautious, and, I am not afraid of the word, suspicious toward the assertion that the situation over our economy in 1988 was good and even

flourishing. And an assertion to that effect is advanced literally with the first lines of the summary for the 1st half of the year: "In the 1st half of 1988, favorable trends in economic and social development continued to grow in the USSR's economy.... The decline in growth rates of social production is being overcome, and an acceleration has been achieved for a number of very important indicators." How glad we would be if it were actually so.

#### Growth Inside Out

The 2d through the 4th quarters of last year were the most indicative. The 1st quarter had to be good. The reason is that the 1st quarter of 1987 was abominable: the extremely low temperatures and snowdrifts that disorganized the operation of many branches of industry and transportation, state acceptance, which at the outset was very painful. Last year's 1st quarter had another advantage: a leap year has 1 more working day, and for production operations that are not continuous this automatically increases growth by more than 1 percentage point. As economists expected, that is what happened. The 1st quarter produced high growth rates in all sectors of the economy. But then came the normal 2d quarter, and the growth rates, if one is to believe Goskomstat, were just as high as before, in some cases even higher than in the 1st quarter.

The national income, for example, rose 4 percent in the 1st quarter and 6 percent in the 2d. The latter figure does not occur in the summary, but it is quite easy to compute it if we know the growth for the 1st half of the year and for the 1st quarter. The difference between the volume of output for the 2 quarters could not be very great: the number of workdays was the same, and labor productivity will change negligibly in those months. It will not be an error, then, to take these values as equal. But then it is easy to obtain growth in the 2d quarter as well. For example, suppose we have 4 percent for the 1st quarter and 5 percent for the 1st half of the year. How could this difference of 1 percentage point have occurred? Only if growth in the 2d quarter was 2 percentage points higher than in the 1st. In the 2d half of the year, the growth rates of the national income fell to 3.8 percent, but even they are rather high, and over the entire period of the 2d through the 4th quarters the growth was 4.5 percent over 1987.

A growth rate of 4.4 percent for the year, as Goskomstat sees it, is a high figure. We have not had one like it since the early seventies. We have been planning to reach that figure in the 13th FYP and have a hard time believing that it is possible. But the rise of the productivity of social labor looks still better: 5.1 percent. We had that only in the fifties, the best years for our economy. After the first feeling of joy, you begin to ponder things. What happened that was so amazing in the 2d quarter for us to stride forward so dashingly? You think back and you cannot remember anything. The Law on the Enterprise went into effect, but our best economists and practitioners have been saying almost in unison that it has altered

practically nothing? Nor is there evidence that such important factors as reinforcement of discipline and responsibility and the drive against drunkenness, which helped us greatly in previous years, had an impact last year. On the contrary, we have been hearing on all sides that alcoholism has intensified once again, and it is closely related to discipline. Nor did we have in 1987 any particular takeoff in the activation of fixed industrial productive capital: the level of activation differed little from 1986. The output of agriculture, providing raw materials to Group B, did not grow in 1987 either. We seem to have covered everything that could have influenced efficiency, but there is just no explanation.

We look for it in any case in the summary: And suddenly what do we find? We have made so much fun of Goskomstat, how nice it is to praise it for once. I will cite a place in the summary of the 1st half of the year which sheds light on the improvement of the summary economic indicators that was inexplicable from the standpoint of common sense. The summary reports that the "output of finished products of light industry in retail prices compared to the corresponding period of the previous year rose 8.5 percent. At the same time, practically this entire growth was achieved by an increase in the production of goods of improved quality bearing the code 'N' and particularly stylish products sold at negotiated prices, while the output of a number of goods for which there is volume demand, in particular goods in the children's assortment, decreased." Something really unusual did occur, when even Goskomstat was forced to take note of it. An unprecedented growth in the output of light industry in retail prices. But what is revealed if we make a deeper examination? Many products did not experience a growth at all, but a decline. This has evidently happened quite a few times, Goskomstat took note of this circumstance in the summary.

What accounted for the growth? The traditional (but particularly large in this particular year) shift in the assortment. All efforts were applied to build up the "gross" as much as possible. They forgot about the mass consumer—you cannot build up much speed with the relatively inexpensive assortment of products. They pushed what was more expensive: products marked "N" and particularly stylish products. The improvement of the quality of these products is far from commensurate with the difference in prices. But people do buy them, and given the immense surplus of money resources over the supply of commodities, when there is no choice, they always will. That is how the large growth is built up, and the consumer comes off the loser: Perhaps there was no real growth at all, just an appearance created by pushing up prices.

The annual summary contains direct evidence of a substantial rise of prices of industrial products last year. For the first time in many years, even decades, USSR Goskomstat has published figures on the change of average prices of consumer goods. For a number of very

important products, they rose very sharply: 10 percent on clothing, underwear, and fabrics, 3 percent for leather footwear, and 5 percent for hosiery.

But suspicion and even one piece of direct evidence still do not provide sufficient proof. Since you are suspicious of the official statistics, the reader has a right to demand, then provide other more reliable statistics. And the reader would be right. I want only to make this reservation: the summary of figures affords us too little to make the calculation using many methods, as is done when there is full information. But experience shows that all the methods used almost always have yielded very close results. "Almost" does not mean always, so that a critical approach to the calculation given below is justified. Yet I think that the two practically identical results obtained by different methods indicate a great deal.

#### And What Is Actually the Case?

In the multitude of economic indicators, there are those which can boldly be referred to as key indicators. Things in the entire economy depend directly on the phenomena which they reflect.

I know of no better indicators in that sense than the production of electric power and rail freight traffic. Almost all of our equipment operates with electric motors, and since products do not have legs, a growth of their production also necessitates a growth of shipments, and in our country the main form of transportation is

rail transportation. These two indicators are also good because it is very difficult to distort them. In my opinion, this is entirely impossible with respect to the production of electric power. And the growth rate of rail traffic, as analysis has shown, has been extremely accurate for a long time.

I will show how the relationship has formed in recent FYP's among the real growth rate of the national income,<sup>1</sup> the production of electric power, and rail freight traffic. According to our calculations, the growth of production of electric power has always substantially exceeded the growth of the national income. The average annual difference has been 3-4 percentage points. To be on the safe side, we will take the minimum value—3 percentage points—for our further calculation. As far as the growth of rail traffic is concerned, it has either exceeded the growth of national income negligibly or lagged slightly behind. On the average, they can be taken as equal for annual calculations. Thus, using these relationships, we will if anything overstate the real size of the change in the national income.

Table 1 gives our calculation of the change of the national income over all of 1988 and for the last 3 quarters, which are the most indicative of that year, on the basis of this relationship among the average annual growth rates of the production of electric power and rail freight traffic and the change in the national income. The final estimate is derived as the average of the two estimates obtained.

**Table 1. Changes in the National Income and in the Growth Rates of the Production of Electric Power and Rail Freight Traffic, Relative to the Respective Period of 1987, in Percentage**

Indicator	2d Quarter	3d Quarter	4th Quarter	1988
Production of electric power	2	2	2	2.5
Rail freight traffic	0.5	-1	-3	1.2
National income (based on the production of power)	-1	-1	-1	-0.5
National income (based on rail freight traffic)	0.5	-1	-3	1.2
Final estimate of the growth rate of the national income (line 3 + line 4):2	-0.25	-1	-2.0	0.3

At first glance, the gap between the estimates obtained by the two methods is rather sizable for the entire year: 1.7 percentage points. It mainly occurred because of the 1st quarter, when there was a particularly rapid growth of rail traffic by comparison to the 1st quarter of 1987, which was extremely unfavorable for the railroads. After that, the estimates were considerably closer, and in the 3d quarter they even coincided completely.

As we see from the figures in Table 1, national income rose for last year as a whole by only 0.3 percent according to our estimates. This in itself is extremely unfavorable. But in the breakdown by quarters the situation is far worse: from quarter to quarter the drop in the national

income grows. Whereas in the 2d quarter it is still quite small, in the 3d and especially the 4th it takes on considerable size.

We should note another conclusion to be drawn from use of the indicators of electric power production and rail freight traffic in evaluating the state of affairs in the economy. The Goskomstat figures imply that in the 2d quarter the growth rates of the national income increased appreciably over the 1st quarter: from 4 to 6 percent. Yet the growth rate of electric power production dropped from 3 to 2 percent over that period, and rail freight traffic dropped still more sharply: from 7 to 0.5 percent. This discrepancy strengthens the suspicion that the gap

between value indicators and physical indicators grew beginning even in the 2d quarter and resulted in summary economic indicators calculated in value terms that are favorable on paper. There was a similar discrepancy in the other quarters as well.

It was to reinforce that assumption that we made another calculation. We determined how the growth rates dropped in the 2d quarter as compared to the 1st quarter for those products which are given in physical terms in the summary. I do not intend to give the details of the calculations, they are hardly of interest to nonspecialists. I will speak only about the end result: For those industrial products the rates dropped 2 percentage points, whereas according to the Goskomstat data the drop was only 0.5 percentage point for industrial output as a whole.

Confidence in the correctness of the result we obtained is also reinforced by the fact that clear signs of a slump appeared back in 1987. According to our alternative calculations, 1986 was a good year for the growth of the national income: it rose 3 percent, and that was also true of the 11th FYP as a whole. But if we think about why this occurred, it becomes clear that temporary factors that were rapidly exhausted were dominant here. The drive against alcoholism and the related high level of exactingness and discipline had an impact, the renewal of personnel had an influence, the removal of those who were most corrupt and idle. Judging from the press, there was far more overtime and work on Saturday. The rise of the productivity of labor in 1986 was impressive only if we close our eyes to the fact that there were more working hours. But the increase of worktime has its limits: the patience of the workers can also be exhausted. In 1987, this factor still accounted for something, but evidently this potential has been exhausted.

Because of the exhaustion of temporary factors, the national income grew in 1987 only 1 percent, according to our estimate, that is, by exactly as much as the population grew.

It would be good if the growth rates fell for sound reasons. Certain economists are right when they say that we could undertake even zero rates of growth for several years for the structural revamping of the economy, to eliminate the deficit, and to raise product quality. When conversion is made to a new product, after all, they shut down a plant. Production might also be sacrificed in order to improve the environmental situation. It can in fact be curtailed for this purpose if there is no other way. But there was nothing of the kind: neither noticeable changes in the structure, nor a softening of the deficit (it even increased), nor a substantial improvement in product quality, nor a change for the better in the ecological situation. All of this remained practically unchanged, but the absolute size of the national income dropped off in the last quarters, according to our calculations.

### Causes and First Causes

It is important to understand what factors were involved in the drop in the size of the national income last year. Labor productivity for the year even seems to have risen somewhat, since the size of the labor force in physical production dropped 1 percent. But even in the 3d and 4th quarters there was first a stagnation and then a manifest drop in labor productivity. Utilization of fixed productive capital also worsened in the last quarters. After adjustment for inflation, fixed productive capital dropped approximately 1 percent on an annual basis, that is, more slowly than the volume of the national income in the last quarters of 1988.

Materials intensiveness of output obviously rose. According to figures of USSR Goskomstat on "resource conservation," it is easy to calculate that last year energy consumption rose 1.9 percent and metals consumption 1.3 percent. Comparing these figures to the real change in the national income, we find that energy intensiveness rose 1.6 percent for the year and metals intensiveness 1 percent. In the 11th FYP, which was a very unfavorable year with respect to the dynamic behavior of materials intensiveness, energy intensiveness rose approximately at the same rate, while metals intensiveness rose even more slowly. Last year, there was a noticeable deterioration in the indicators of energy intensiveness and metals intensiveness as compared to the first 2 years of the current FYP.

Thus, with respect to all indicators of production efficiency we observe an absolute deterioration last year.

A notable new factor appeared last year in the drop of the rates: for the first time in peacetime, there was a drop in the size of the labor force in physical production in the 2d quarter, and that decline was preserved to the end of the year. On the whole, according to our estimates, it amounted to 1 percent, while in construction and rail transport it was all of 3 percent. This was evidently influenced by the expansion of the cooperative sector and self-employment. More than 2 million persons are employed in those sectors even now; in 1 quarter, the 2d, the number of persons employed in those spheres rose 400,000, by as much as over the entire previous year. Some of the cooperatives and self-employed individuals are engaged in physical production, and their products and services went into the national income, and those who moved from physical production to consumer services and other branches of the nonproduction sphere "dropped out" of the national income the way we calculate it.

I do not doubt that opponents of restructuring are rejoicing to learn that the signs of a crisis situation have again made their appearance in our country. You see, they will say, what "your restructuring" has come to. But we must not forget that the country was not merely in a state of stagnation, but of a most real crisis: According to realistic estimates, we had an absolute decrease of the

national income in the early eighties. Had the previous trends developed, then for the eighties, according to my calculations, the country's national income would have dropped off almost 20 percent. But in actuality, it has grown, beginning in 1983, by almost 10 percent. Comparing what inevitably must have happened, if the previous trends had persisted in the economy, to its actual condition over the period 1983-1986, I found that the aggregate for those years was 325 billion rubles, more than 275 billion rubles of this during this FYP. Yet those years were unfavorable years for the economy from the standpoint of external factors: there was a sharp drop in world prices of fuel and other raw materials—main items in our exports, great damage was done to our economy by the Chernobyl disaster. It is another matter that what

was done was far from enough, that slowness in carrying out the most necessary transformations has been and still is being manifested.

Aside from the drop in the national income and the drop in production efficiency, the growth of inflation was another serious adverse result of last year. Over the last 25 years, the annual growth of wholesale prices in our country did not exceed 3 percent per year, rising only in connection with price reforms, when they were raised all at once. In order to obtain its real growth last year, we subtracted from the official estimate of the growth rate of the national income the real growth rate we calculated. Analysis shows that most of the overstatement of the growth rate of the national income is related to the covert rise of wholesale prices (it turns out to be still greater if the overt growth is taken into account). The results of our calculation are given in Table 2.

Table 2. Growth Rate of the National Income and Wholesale Prices, Relative to the Respective Period of 1987, in Percentage

Indicator	2d Quarter	3d Quarter	4th Quarter	1988
Index number of the national income according to figures of USSR Goskomstat	6	5	3.5	4.4
Index number of the national income according to the author's calculations	-0.25	-1	-2.0	0.3
Index number of the concealed growth of wholesale prices (line 1 -line 2)	6.25	6	5.5	4.1

As shown by Table 2, for the year as a whole the rise of wholesale prices was 4.1 percent, i.e., noticeably greater than in past years. Wholesale prices rose particularly fast in the last quarters of last year. Wholesale and retail prices are not separated from one another by an iron curtain. The rise of wholesale prices is inevitably carried over to retail prices as time passes. We have seen in the example of light industry that this has already begun. Nor is it difficult to find the main factor in the growth of inflationary phenomena: labor productivity rose 1.3 percent for the year, but the average wage of workers and employees rose 7 percent (a difference of 5.7 percent—almost exactly the same as the rise of wholesale prices). In the last quarters of the year, this relation deteriorated still more. To be sure, not all workers and employees work in the production sphere, but most of them are employed there, and this average growth of wages can also be taken for the production sphere.

Housing construction also increased very slowly in the 2d through the 4th quarters. Activation of housing for the year was down 2 percent than for the previous year, and it was down 3 percent for the 2d through the 4th quarters. If every Soviet family is to have an apartment by the year 2000, the growth of the activation of housing must be 6-8 percent per year.

Were there any constructive things in economic development last year? One indicator, indeed a most important indicator, did improve as a matter of fact. Even

when the change in prices is taken into account, there was a rise of retail sales. For the year, according to the figures of USSR Goskomstat, they rose 7.1 percent, while prices rose in the range of 5-6 percent (this last estimate is made on the basis of the positive difference between the growth of the average wage and labor productivity). So that there was real growth, even though it was minimal (1-2 percent). Paid services grew still more rapidly. They increased, according to official data, 15.5 percent. Of course, growth, there is no denying it, is better than a decline. In the 1st half of the 12th FYP, the real volume of the consumption fund, as S.S. Shatalin, member of the academy, has rightly noted (SOTSIALISTICHESKAYA INDUSTRIYA, 30 October 1988), declined. But will we be able to maintain even that minimal growth for a long time? After all, it occurred in large part thanks to a reduction of inventories, which have reached an unprecedentedly low level. This is indicated by a comparison of the growth rate of retail sales and the output of Group B (the rates were 7.1 percent and 5 percent, respectively).

Up until mid-year, the growth in the volume of foreign trade could also be placed among the favorable things, but it also began to drop in the 2d half of the year. This is also disturbing: Our foreign economic activity is minimal compared to the total volume of economic activity and compared to other countries; it has to be augmented with particular speed, but the opposite has happened.

The greater imbalance between commodities and money and the greater messiness of the consumer market and the compounding of the bad situation in the money-and-financial system were among the most disturbing things about last year. After all, we have been calculating the growth of prices only in state and Tsentrrosouyuz trade. On the goods market, in cooperatives, it evidently was far greater. Last year, there was an unprecedented growth in personal money income. Enterprises cleverly took advantage of loopholes in the economic reform for a growth of money they had not earned. Balances in savings banks alone increased 30 billion rubles over the year (while in the 11th FYP the average annual growth was 13 billion). The rush on the consumer market has had the result that the public is now buying up even soap and salt in advance. That has not been the case in our country for a long time.

The danger is truly great. The slump cannot persist for a long time. Unless counteracting measures are taken at once, it will inevitably pass over into a major absolute decline of the growth of production and then of personal consumption. Objectively, there are more prerequisites for this now than in the early eighties. At that time, productive capital was still growing, if slowly. Now it has already begun, according to our estimate, to decrease. We actually have no productive accumulation at all, only a statistical illusion. The situation with raw materials has become still more difficult. Key sectors of the economy are operating at the limit of what they are able to do, with an immense overload: electric power, ferrous metallurgy, and rail transportation. Inhabitants of dozens of large cities are choking from the air pollution (in them, maximum permissible concentrations of harmful substances are being exceeded tenfold and more). In many of them, there simply is no other way out than to shut down the most "poisonous" enterprises. The soil and timber resources are being depleted. Foreign trade has ceased to be a magic wand because of the drop in world fuel prices. Last year, there was a sharp increase in grain prices—one of the most important items we import. The potential for raising production efficiency that was relatively easy to tap in connection with the strengthening of responsibility and discipline and the campaign against drunkenness, has been exhausted. At this point, there is not much that you can gain in that respect within the limits of the administrative system which we still live in.

The next year or 2 will be decisive, fateful, for our economy. What should be done now, in the most immediate future, so as to avert a new economic crisis? That is an important discussion for specialists. Our objective has been to analyze the situation, not to indicate the method of treatment: that cannot be stated in a few words. We need both structural changes and, most important, a change in the economic mechanism. Quite a bit has been said about this, but no particular actions have been evident (although quite a bit has also been said about the need for them). We evidently need to make an honest analysis as to why the correct decisions have not been implemented, who is to blame, and how to

correct the situation. The lesson of the truth is needed not only when it comes to the past, but also the present. But that is not enough. It has now become clear that those reforms of the economic mechanism we talked about in 1987 are now insufficient. In these 2 or 3 years, we have made great progress in social thought. And these advances in social thought must be reflected in upcoming measures to reform the economic mechanism.

#### Footnote

1. We have set forth the methods of calculating real summary economic indicators in the journal *IZVESTIYA AN SSSR. SERIYA EKONOMICHESKAYA* (No 6, 1981, and No 3, 1984); the results of calculation using these methods in the journal *KOMMUNIST* (No 17, 1987). Moreover, all the estimates of economic development (especially the cases specifically mentioned) are given according to our estimates, not the data of USSR Goskomstat.

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## REGIONAL DEVELOPMENT

### Gosplan Official Explains Draft Provisions of Regional Rights

18200364 Moscow *SELSKAYA ZHIZN* in Russian  
17 May 89 p 2

[Interview with Petr Andreyevich Paskar, deputy chairman of USSR Gosplan, by V. Virkunen; "Toward Real Independence"; date and place not given]

[Text] The draft of the General Principles for Restructuring Guidance of the Economy and the Social Sphere in the Union Republics on the Basis of a Broadening of Their Sovereign Rights, Self-Government, and Self-Financing is now being discussed in the country. Agricultural workers in all branches of the country's APK are taking an active part in the discussion. The editors of *SELSKAYA ZHIZN* asked USSR Gosplan to comment on the draft's basic provisions. The questions are answered by P.A. Paskar, deputy chairman of USSR Gosplan.

[Virkunen] Petr Andreyevich, first a bit about the initial results of discussion of the problems of regional cost accounting (khozraschet), about the nature of this document.

[Paskar] The draft of the General Principles... was prepared in accordance with the decisions of the 27th CPSU Congress and the 19th All-Union Party Conference in order to overcome the deformations that have been formed in regional management and to develop democratization of the entire system for management of the economy. The task has been set of achieving an organic combination of all-union, republic, and regional interests.

For now, we have no precedent in preparing such a document and in presenting it for nationwide discussion. Every one of its sections contains many innovative elements. The draft of the General Principles... has been very well received in the union republics. By all appearances, it will also be a topic of lively discussion at the upcoming plenum of the CPSU Central Committee on the national question.

The main point which needs to be mentioned is the broadening of the powers of the union republics and the sharp limitation of the rights of union ministries. Many functions in managing the republics and regions were unjustifiably drawn away to the center. Dictate predominated in relations between republic and union authorities. This became one of the reasons for the complication of interregional and interethnic relations. Now, the center will be managing only those production complexes and branches which have decisive importance to the functioning of the country's economy as a unified national economic complex. They would include above all machinebuilding, energy, the defense industry, transportation systems, information, and certain other branches.

The draft grants the broadest authorities to the union republics and to local soviets with respect to managing the branches of the social sphere. That is in fact one of the main provisions of the General Principles...: to give full independence to local government authorities in carrying out the social programs of the republics and regions.

Earlier, in the context of rigid centralization, matters sometimes went to the point of absurdity. For example, for an enterprise to build an apartment house or kindergarten or to organize the production of certain goods for the people on its own initiative, it needed instructions giving it permission and a host of clearances from union departments. But is the view of what needs to be done locally for people really better for Moscow? As is well-known, the most urgent needs today are for food, for consumer goods and services, and for housing. Now, these matters will be dealt with independently and with full authority by the regions and republics.

What we have said, of course, does not at all mean that the draft is free of shortcomings or vagueness. This is a working document, a document that is being corrected as proposals come in from the field.

[Virkunen] By all appearances, one of the main topics of the General Principles... and of the future law on local self-government and the local economy is the right to dispose of property and natural resources. What can be said about that?

[Paskar] This question is a topic of the most fervent disputes. It is not black and white. Maximum discretion and understanding of local problems have to be shown

here. It is believed that the optimum approach to exercise of property rights by the republic and the region will be worked out thanks to the discussion. The principle of resurrecting the full authority of the soviets must be the foundation of such decisions.

It seems to me that it is entirely valid to raise issues concerning the fact that the land on which the people of a particular nationality have lived since time immemorial, the minerals, the water, the forests, and other natural resources are the property of the entire nation, but at the same time they do not legally belong to the republics and regions.

What is more, under the new system the charges on those resources will be paid not into the union budget, but into republic and local budgets. When the USSR Constitution declares the full sovereignty of the republics, then obviously this right must be filled with real content. It is assumed that this provision will undergo changes in the course of the broad public discussion.

[Virkunen] The land is the basic means of production in the agroindustrial complex. What new property rights over the land are being acquired by the union republics and regions in the light of the draft of the General Principles...?

[Paskar] I must remark that the document that has been published does not address the task of affirming or stating new property rights of the republics, including those that pertain to ownership of the land. This will be stated rather fully in the laws on the land and land use and also on local self-government and the local economy.

In my view, ownership of the land is dual in nature. On the one hand, the land is the property of the entire people, and all property relations are in this case regulated by legislation at the union level. On the other hand, we know that when there is no individual responsibility for the land, the losses to the national wealth are immeasurable. It was remarked at the March Plenum of the CPSU Central Committee that over the last 25 years 22 million hectares of plowland and more than 3 million hectares of irrigated land have ceased to be used for economic purposes.

There must, then, be a specific owner of the land and other natural resources. In our context, by all appearances, the local soviet of people's deputies could become such an owner; it must turn the land over to the possession of the specific user, to the one who cultivates it.

[Virkunen] What do you find that is new in the principles governing formation of the budget of the union republics? What impact might these new factors have on formation of the revenue side of the union budget?

[Paskar] The budget of the republic and region will be formed on a fundamentally new basis. For a long time, republic entities were not motivated to develop their

own financial base nor to manage their operations efficiently. Up to now, there has been a kind of allotment: however efficiently the economy operated in a particular republic, for all practical purposes this had no effect on development of the social program for its population. The time has come to put an end to that defective practice.

Now, the union republics are becoming full-fledged masters of their own budgets; they are getting broad powers to plan them and carry them out on the basis of regulation embodied in economic standards and the law.

The sources of the revenue side of the republic budget are being expanded immeasurably. They include payments from the profit of enterprises and organizations, except for that portion transferred to the union budget, the entire amount of the charge on land, on water, and on labor resources for all enterprises and organizations located within the jurisdiction in question, regardless of their departmental subordination, all types of state and local taxes, payments from profit of enterprises and organizations under union jurisdiction, as well as a portion of the turnover tax.

Of course, the new principle governing formation of republic and local budgets will unconditionally reduce the size of the revenue side of the union budget. But after all, the expenditure side of the country's budget is also being reduced as the expenditure side of the budget of union republics and regions increases. For example, expenditures to build facilities in the social sphere, the agroindustrial complex, light industry, the timber and lumber industry, trade, and many other sectors will now be charged to local budgets.

[Virkunen] The all-union market must evidently play a most important role in local self-management....

[Paskar] Yes, the importance of the draft of the General Principles... and of the future law on local self-management and the local economy can hardly be overestimated in bringing about the prerequisites for organizing the all-union market. Long-term quotas for deliveries of a particular product to the union stock and the rates of deductions to the union budget will be instituted on the basis of that law, which will also define clearly the rights of the respective government bodies in setting them. This guarantees the republics that union entities will not interfere in the process of redistribution of that portion of output produced over and above mandatory deliveries and state orders.

The new legislation makes it possible for republics and regions to go directly to the consumer, bypassing the center, to create a system of direct contractual ties, in which union departments and the union government do not interfere. All issues here are regulated by economic expediency and by law. There is no question that the freedom to form direct economic ties among republics and regions deepens integrative processes and signifies

invigoration and further development of contacts among nationalities. This will ultimately serve as the basis for the prosperity of every republic and for augmenting the national wealth of the Soviet state.

In this process, the branches of the APK have quite a significant role as well. After all, many agricultural crops, for example, grow only in certain geographic regions. What is more, surpluses of grain, vegetables, and fruit, which need to be sold elsewhere on the basis of direct and mutually advantageous contracts, can be formed in the more favorable climate zone. For example, vegetable growers in the southern republics might deliver an additional quantity of vegetables and fruit to Belorussia or the Baltic republics in exchange for high-quality products of the radio industry. Agricultural workers in Central Asia might sell watermelons, cantaloupes and pomegranates for potatoes from Bryansk. Here again, local soviets must take over full concern for creating reliable direct ties among the fraternal republics.

[Virkunen] Development of the independence of the republics, the transition to a broadening of their sovereign rights, to self-management and self-financing, are arousing fears in a certain segment of our society that some republic could in theory withdraw from the USSR under those conditions. How warranted are such fears in your view? Could a republic exist without vitally important economic ties formed within the framework of the unified national economic complex?

[Paskar] Anyone who has even an approximate idea of the significance and scale of union-republic and interrepublic ties can hardly speak seriously about any republic withdrawing from the USSR. It is well-known that certain representatives of informal public organizations in the Baltic republics are calling for withdrawal from the USSR. But they are failing utterly to appreciate the consequences, above all for themselves, that might follow from a disruption of the economic ties formed within the framework of the unified national economic complex.

Allowing for the possibility of withdrawal from the USSR, one can realistically imagine the result of such a step. First, there would be an immediate increase in the expenditure side of the republic budget because world prices would have to be paid for motor vehicles, tractors, petroleum, cotton, wool, many other kinds of raw materials and electric power, as well as for consumer goods. Second, the republic budget would also have to take responsibility for expenditures to maintain the transportation and fuel-and-energy complexes, which are financed out of the union budget. With that kind of apportionment, of course, the population's standard of living, according to certain estimates, would be cut at least in half.

Specialists in the field of planning and finance have long been aware that our strength lies in unity, in reinforcement of the Soviet Union's national economic complex

on the basis of improved economic relations. Incidentally, a similar trend is clearly evident in the example of the countries of western Europe, where in fact there have been no economic boundaries for a long time now. This is an objective necessity of historical development.

It seems to me that the future law on local self-government and the local economy, whose basic provisions are compatible with the draft of the General Principles... now being discussed in the country, is aimed above all at full realization of the capabilities of the republics to carry out social programs. Speaking plainly, it is not possible from Moscow to examine the everyday priority needs of people in every detail. Indeed, do we need to even strive for that?

Now, let the local soviets, which with adoption of this law will have the full breadth of real political power and potent economic incentives, radically restructure their activity and emphasize everyday concern about the workingman.

[Virkunen] Thank you for the interview.

**UzSSR Economic Goals for 1991-1995 Drafted  
18200349 Tashkent PRAVDA VOSTOKA in Russian  
20 Apr 89 pp 1-4**

[Draft program prepared by the UzSSR CP Central Committee and UzSSR Council of Ministers: "Draft Program for Accelerating the Socioeconomic Development of UzSSR and for Increasing the Prosperity of the Republic's Population Over the Period 1991-1995 on the Basis of Major Structural Shifts, Augmented Output From the Production Potential, and Application of Up-to-Date Methods of Management and Conduct of Economic Activity"]

[Text] Guided by the principles laid down by the 27th CPSU Congress and the 19th All-Union Party Conference and the propositions of the radical economic reform, the UzSSR CP Central Committee and UzSSR Council of Ministers have prepared the draft of the republic program for socioeconomic development and for raising the prosperity of the republic's population over the period 1991-1995 on the basis of major structural shifts, augmented output from the production potential, and application of up-to-date methods of management and conduct of economic activity. It fully takes into account the decisions of the March (1989) Plenum of the CPSU Central Committee, the documents adopted to implement them, and also the general principles for restructuring the management of the economy and the social sphere in the union republics on the basis of an expansion of their sovereign rights, self-government, and self-financing.

The program's principal objectives are as follows:

- more effective use of existing natural and climatic conditions, minerals and raw materials, labor

resources and the republic's production potential and intellectual potential for accelerating its socioeconomic development, for fuller satisfaction of the population's own needs, and for augmenting the contribution to the country's unified national economic complex;

- overcoming structural disproportions thanks to emphasized development of present-day scientific-and labor-intensive, ecologically clean sectors, oriented toward the output of finished end products and consumer goods;
- while the republic's agriculture would retain its specialization in cotton, the cotton monoculture is to be resolutely overcome, and cotton growing and other branches are to make the transition to scientifically sound and progressive soil and crop practices, full-fledged assimilation of crop rotation, performance of large-scale reconstruction of irrigation and drainage systems, and improvement of soil fertility, increased output from the growing of fruits and vegetables and animal husbandry and improvement of the food supply to the public, and development of the processing branches of the agroindustrial complex;
- pronounced emphasis on the social orientation of the plan, a rise in the prosperity of the workers, overcoming the lag behind the average union level with respect to the principal indicators of the standard of living, accelerated construction of housing, children's and medical institutions, restoration of a sound environmental and public health situation, especially in the region of the Aral Sea.

Performance of this program, which calls for a 1.5-2-fold growth of the principal parameters of the economy and of the social sphere over the current FYP demands large capital investments, solid help from union authorities, and further integration and a deepening and expansion of relations with all the country's republics and regions. The preliminary outlines have been examined and mainly have been approved by the CPSU Central Committee and USSR Council of Ministers.

In full accordance with the requirements of democracy and glasnost the draft program is being put up for public discussion by the republic's workers. All the proposals of workers, kolkhoz members, employees, specialists, scientists, and representatives of the public will be thoroughly studied.

On the basis of the results of the public discussion and taking into account the proposals and observations the draft program will be taken up by a plenum of the UzSSR CP Central Committee, and it will then serve as the basis for organizing preparation of specific planning targets for UzSSR's economic and social development in the 13th FYP.

Collectives, rayons, cities, oblasts, ministries, and departments, and the republic's workers should send their observations and proposals concerning the basic provisions of the program to UzSSR Gosplan.

**Draft Program for Accelerating the Socioeconomic Development of UzSSR and for Increasing the Prosperity of the Republic's Population Over the Period 1991-1995 on the Basis of Major Structural Shifts, Augmented Output From the Production Potential, and Application of Up-to-Date Methods of Management and Conduct of Economic Activity**

**The Present State of the Economy and the Results of UzSSR's Socioeconomic Development up to This Point in the 12th FYP**

Our republic, along with the entire country, has entered a crucial period of restructuring in which Leninist principles of popular sovereignty, democracy, and glasnost are being reestablished everywhere and the radical economic reform is being introduced on a broad front. Life has advanced fundamentally new problems and tasks which cannot be solved or performed with the means and methods applied previously. The depth and urgency of the economic and social problems which have to be solved put on the agenda a determined rejection of stereotypes and a search for nontraditional approaches to the tasks of accelerating socioeconomic development.

In the years of building socialism in UzSSR, an immense production potential and scientific-technical potential have been built and occupy an important place in the country's unified national economic complex. The republic produces more than 3.3 percent of the country's gross social product and more than 3.6 percent of its national income. Possessing as it does unique natural and climatic conditions, minerals and raw materials, production potential, scientific-technical potential, and labor potential, Uzbekistan has been having a solid impact on development of the union economic complex—above all in connection with the production of a broad range of products practically impossible to produce in the country's other regions.

The entire experience of UzSSR's development, its transformation in a short historical period from a backward district to an up-to-date and highly developed industrial-agricultural republic, vividly confirms the great dynamism inherent in a socialist economy.

At the same time, because of flagrant distortions and oversights in determining the directions of economic and sociocultural development, the absence of a clear-cut structural and regional policy, and also because of direct distortions of the principles of socialist economic activity and the adverse phenomena that arose therefrom, key factors in the steady and gradual climb of the republic were seriously undermined.

Over a lengthy period, there was a trend toward systematic decline of the growth rates of industrial and agricultural output and construction work. The growth of production was achieved largely at the price of disproportionately large inputs of money and resources, predominantly by virtue of extensive sources of growth.

New equipment and processes were not applied on a sufficient scale, branches engaged in primary processing of raw materials and the output of intermediate products experienced excessive development. The share of finished products in industry and of consumer goods among them was only 25 percent of the total volume. This caused a drop in the efficiency of social production and complicated the republic's financial situation.

While definite favorable shifts have been achieved in economic construction during the current FYP, the disproportions that exist in the leading branches and spheres of the economy, especially in the fuel and energy, agroindustrial, and construction complexes, are being corrected slowly, and the lag is increasing in the domain of production of up-to-date highly productive machines and equipment, consumer goods, and foodstuffs, which has made it necessary to import growing amounts of them into the republic from the country's other regions.

A serious situation has developed in the republic's agriculture, above all in its leading branch—cotton growing—because of violation of the requirements of soil and crop practices, the absence of scientifically sound crop rotation, slow application of intensive technologies and progressive forms for organizing agricultural production. The yield of cotton and grain crops on irrigated land and of fruits and vegetables, melons, and other crops and the productivity of animal husbandry remain extremely low. The water management situation has deteriorated, and there is a high share of saline land that has not been properly drained and irrigated.

There have been serious oversights concerning location of the productive forces at the level of the entire state. Over the period of the 9th-11th FYP's, the growth of labor resources in the republic exceeded more than fourfold the growth of fixed productive capital, and by 1985 UzSSR, which possesses 6 percent of the country's entire labor resources, had only 3.5 percent of the country's fixed productive capital.

Departmental dictate in the location of production facilities and neglect of the social demands of the population resulted in serious distortions in the regional structure of the economy. A gap developed in the level of development of regions, which resulted in large differences in economic potential among the oblasts and the Kara-Kalpak Autonomous Republic.

The lag in economic development severely worsened the indicators of the standard of living of the population of UzSSR. With respect to the per capita national income produced, the republic is still lagging behind the level of the entire union (60.9 percent in 1970, 57.7 percent in 1985, and 51.6 percent in 1987). The dynamic behavior of the national income used and the consumption fund has also been negative. Accordingly, lower specific indicators of income and consumption have occurred in the republic.

The insufficient growth of jobs, the low shift coefficient, and neglect of the training of workers and specialists have resulted in a drain of a substantial portion of labor resources out of the sphere of social production, and the lag behind the average union level has increased with respect to all indicators of the prosperity of the people—from money income to the adequacy of housing, health care, and educational institutions, trade and consumer services, and cultural institutions. Jagged differences have formed in the standard of living from one oblast or rayon in the republic to another—as much as 1.5-3-fold, and between major cities and rural localities the differences are still greater.

In a number of regions, especially in the lower reaches of the Amu Darya, the Tashkent metropolitan area, Samarkand Oblast, and the Fergana Valley, the environmental situation is becoming threatening, and problems with the supply of drinking water are not being solved satisfactorily in many areas.

In the republic, as indeed throughout the country, the period since the April (1985) Plenum of the CPSU Central Committee has been characterized by development of a new conception of socioeconomic development and by measures to strengthen state discipline and economic discipline. The results of the 3 years of the FYP that have passed to date indicate appreciable favorable shifts in the economic and social development of Uzbek SSR. The first results have become evident in the effort that has developed to convert the economy to the new economic conditions in accordance with the principles of the radical economic reform. The social orientation of the republic's economy has been strengthened, and the prosperity of the people has risen somewhat.

The results for 1988 outlined a trend toward the real emergence of the republic's economy from depression and the beginning of a recovery. The growth of the national income produced was 5.1 percent in 1988, as against 0.8 percent in 1987; the productivity of social labor rose 4.2 percent, and real per capita personal income rose 3.5 percent, whereas there was no growth for these indicators in the first 2 years of the FYP.

Industrial output rose at an average annual rate of 4 percent during the first 3 years. Machinebuilding and the wood-chemical complex developed steadily. In 1988, there was an improvement of contract discipline and indicators characterizing production efficiency. A certain improvement was also outlined in the agricultural sector: for the first time in many years the republic overfulfilled in 1988 plans for procurements of cotton, grain, vegetables, melons, and potatoes, and a breakthrough was indicated in the rise of the productivity of social production.

At the same time, the lag in the republic's economic development which built up in previous years could not be fully overcome in the period 1986-1988. The favorable shifts that were achieved were not solid enough and

were rather quantitative than qualitative. Judging by the results for the first 3 years of the FYP, they have had almost no impact on the dynamic behavior of such summary indicators of economic growth as national income, labor productivity, and the output-capital ratio. No breakthrough has been achieved in effective promotion of scientific-technical progress—the decisive factor in economic growth. Nor has the acceleration been achieved that should have occurred in solving urgent social problems—above all normalization of the situation on the market, balancing the supply and demand of goods and services, and in the circulation of money. The insufficient supply of housing, health care services, education, and culture to the public remained one of the most acute unsolved social problems in the republic. Although the first specific step was taken in the current FYP to overcome the lag (the share of nonproduction capital investments was raised from 26.5 percent in 1985 to 37 percent in 1988), still experience has shown the unpreparedness of many economic entities for that kind of reorientation. For instance, in 1988 the plan was not fulfilled for activation of housing financed with state resources and for children's preschool institutions and hospitals.

That is why further acceleration of the republic's socioeconomic development on the new qualitative foundation must be achieved mainly on the basis of reinforcing the constructive trends that have been achieved in economic development, mobilization of hidden potential, raising the rates of scientific-technical progress, effective use of the production potential that is in place, and improvement of product quality.

The meeting of these requirements has been envisaged by the program for acceleration of economic development and for increasing the prosperity of the republic's population in the coming FYP.

#### **Acceleration of Socioeconomic Development and Raising the Efficiency of Social Production on the Basis of a Greater Output From the Potential in Place and Application of Up-to-Date Methods of Management and Economic Activity**

The main distinguishing features of the upcoming 13th FYP will be the following: strengthening the social orientation of economic development; democratization of the entire system for management of the economy; full exposure and use of hidden potential for economic growth in order to achieve efficient development of every production collective, region, and the republic's entire economic complex; achievement of close dependence of the level of prosperity of the population on the intensification of production, the end results of economic activity, and every person's greater contribution to the republic's overall development.

The most important general economic reference points in the 13th FYP in Uzbek SSR are as follows: a 36-39-percent growth of the gross social product, 43-46-percent growth of the national income produced, and a 52-55-percent growth of total resources for social development.

The volume of industrial output is to rise 42-45 percent, to achieve which there will be retooling, reconstruction, and expansion of existing industrial enterprises and construction of new ones during this period.

On behalf of a substantial improvement of the supply of food to the public and the supply of raw materials to industry, the growth of the gross output of agriculture (on an annual basis) is to rise to 24-27 percent over the period 1991-1995.

The technical level of construction contractors and enterprises in the construction industry is to be raised. The plant and equipment of the construction complex is to experience further development and consolidation in accordance with the growing needs of the economy.

The rates of economic growth that have been outlined are to be achieved mainly by increasing the output from the production potential and scientific-technical potential already in place, especially in the chemical, metallurgical, machinebuilding, and light industries, in agriculture, in the processing branches of the agroindustrial complex, and in the construction industry.

An overall growth of industrial output of at least 52-55 percent is to be achieved through retooling, reconstruction, and expansion of existing enterprises, the rise in the shift coefficient, and fuller utilization of production capacities.

The efficiency of social production is to be raised as follows:

- labor productivity—32-36 percent;
- output of national income relative to capital employed—5.0-6.5 percent;
- reduction of the materials intensiveness of the national income—8.1-9.1 percent.

The transition to economic methods of guiding development of social production is to be speeded up, the organizational structure of management is to be refined, the cooperative movement will grow, there will be broad development of progressive forms of the organization of work and work incentives, the lease, the collective contract, and the family contract, and on that basis local soviets of people's deputies, branch management entities, and work collectives will have greater motivation to achieve the objectives envisaged by this program to augment the volume of production, to raise production efficiency, and to boost the population's standard of living.

The principles of restructuring are to be applied to management of the economy and social sphere in the republic on the basis of self-management and self-financing, effective exercise of its rights and greater responsibility in solving the problems of economic and cultural construction.

The funds earned by enterprises, organizations, and farms, the republic's financial resources, credits, and also the income of cooperative organizations and individuals are designated as sources for financing this program. Centralized subsidies from the state are to be used to perform certain measures in the program which are nationwide in nature and are also related to overcoming the republic's present lag in the sphere of social welfare.

#### Acceleration of Scientific-Technical Progress

The parameters outlined for the 13th FYP concerning development of social production are based on conduct of a vigorous scientific-technical policy, application of the advances of scientific-technical progress, and a strengthening of its impact toward intensification of the economy. On that basis, the republic's scientific energies will be concentrated on and directed toward emphasized development of priority basic research, whose theoretical principles will be used in developing fundamentally new types of equipment, processes, materials, and systems.

A number of scientific-technical problems related to development of the agroindustrial, machinebuilding, fuel and energy, construction, and other production complexes are to be solved on the basis of the results of fundamental research of applied science. The following are foreseen among the most important directions of scientific-technical progress:

- development and application of a highly productive interrelated set of machines to mechanize cotton growing and the harvesting and processing of raw cotton, aimed at a multiple rise of labor productivity in cotton growing;
- creation of promising new cotton varieties of the intensive type with given characteristics, specifically—early maturity, high resistance to pests and diseases, a high yield of improved-quality fiber (as much as 40 percent), and distinguished by a low water consumption coefficient;
- regular crop rotation of cotton on the basis of the promising varieties created;
- chemicalization of agricultural production thanks to application of effective new means of increasing soil fertility, protecting plants against pests and diseases, growth stimulators, and low-toxic defoliants;
- broad introduction of water-saving irrigation technologies and higher efficiency in utilization of water resources;
- development of a system of measures for major restoration of irrigated soils to healthy condition;
- application to production of biological methods of plant pest and disease control;
- development and application of measures for comprehensive waste-free use of the republic's mineral and raw materials base and for utilization of secondary resources;

- application of robotic complexes, automatic process control systems, and other developments helping to reduce the share of manual labor and to eliminate heavy physical labor in industry, the construction complex, and agriculture;
- creation of new heat-resistant and superclean materials on the basis of effective use of the "Sun" complex of the UzSSR Academy of Sciences;
- creation and application of effective new medicines, diagnostic methods and methods of treating illnesses widespread in the region;
- and development and application of measures to protect the environment.

In order to augment the results of scientific research and to speed up practical application of the advances of scientific-technical progress, plans call for performing an interrelated set of measures to conduct special-purpose research and development within the framework of republic scientific-technical programs, to strengthen the interaction between production and academy science, VUZ science, and sector science, to restructure the network and structure of scientific organizations, and to organize an economic-organizational mechanism for management of scientific-technical progress in the republic. Organizational forms for integration of science and production will undergo further development through creation of intersector scientific-technical centers, engineering centers, and ad hoc creative teams.

Accelerated rates of electronization and computerization of the republic's economy are envisaged for the 13th FYP. In view of the new tasks and functions of management designated by the economic reform, more than 300 systems to automate design work and scientific research and automated systems for control of processes and for enterprise management will be created. The plan calls for a multiple increase of the activation of general-purpose computers and minicomputers, broader use will be made of personal computers and microcomputers, which by the end of the FYP will make it possible to bring the level of automation of management of the sectors of the republic's economy up to 40-50 percent.

#### **Improving the Branch Structure of Social Production and Increasing UzSSR's Contribution to the All-Union Division of Labor**

Purposive structural shifts are to be accomplished as the most important factors for accelerating socioeconomic development and increasing the efficiency of social production, envisaging the following:

- radical improvement of the most important proportions of the economy on the basis of emphasized development of highly progressive branches, above all those specialized in producing technically sophisticated and labor-intensive products at a maximum level of finishing and also a broad range of consumer goods;

- priority development of branches engaged in combined processing of mineral and agricultural raw materials;
- creation of new and modernization of existing production operations on the basis of up-to-date resource-saving and ecologically clean technologies, combined with the performance of broad natural conservation measures;
- optimum production-economic interrelations and a strengthening of interrelatedness in economic development, and elimination of bottlenecks;
- increased effectiveness of regional organization of production and location of the productive forces, and creation of industrial parks (territorial-production complexes);
- stronger interrepublic and foreign economic relations in performing major socioeconomic and environmental tasks, and more straightforward coordination of effort in accomplishing economic development within the limits of the region of Central Asia and Kazakhstan.

Industry is being given the leading role in achieving the targets of economic and social growth outlined for the 5-year period. To that end, a radical improvement of the structure of industrial production is called for on the basis of emphasized development of highly progressive branches, including those specializing in the output of technically sophisticated, labor-intensive products at a maximum level of finishing, as well as a broad list of consumer goods.

In the **fuel and energy complex**, a further increase is projected in the production of electric power and thermal energy and the extraction of natural gas, coal, petroleum, and gas condensate. Completion in the coming FYP of construction of the Novoangrenskaya and Takhiatashskaya GRES's, as well as activation of the first power generating units at the Talmardzhanskaya GRES, will make it possible to increase electric power production in the republic 1.2-1.25-fold.

The generation of electric power is to be concentrated at large power plants with a capacity exceeding 3 million kw, unit capacity of power generating units is to increase from 300,000 to 800,000 kw, the share of combined production of electric power and thermal energy is to increase, and installations are to be built to use alternative energy sources (solar, biomass, etc.).

Reconstruction of the Angren coal strip mine will be completed; that will make it possible to increase the mining of coal by 1.7-1.8-fold. An extensive program of interrelated projects is envisaged in the gas industry, where in addition to increasing extraction by 3 million m<sup>3</sup>, there will be a sixfold increase in the capacity for underground gas storage, and efforts will continue to develop a system of trunk gas pipelines. Scientific research efforts will be directed toward development and application of technologies for combined use of deposits of low- and high-sulfur gases and effective low-temperature methods of removing hydrogen sulfide and carbonic acid from natural gas.

Parameters for accelerated development of the machine-building complex were worked out on the basis of the republic's and country's growing needs for up-to-date machines and equipment and the needs of individuals for sophisticated household appliances, and this applies above all within the complex to instrumentmaking, the electrical equipment branch, the production of computers and electronic equipment, and machine tool building. On the whole, the output of machinebuilding is to increase 1.7-1.8-fold over the period 1991-1995; plans in this connection call for updating and raising the technical level of products, especially in the electrical equipment industry, agricultural machinebuilding, machine tool building, and instrumentmaking.

The program has substantiated acceleration of the rate of retooling of machinebuilding enterprises with the newest automation equipment incorporating electronic control, robotic systems, flexible automated production systems, organization of the production of fundamentally new energy- and resource-saving technologies (laser, plasma, impulse, chemical, and others), making it possible to raise labor productivity substantially. The share of automated equipment in the active part of fixed productive capital will rise more than 1.6-fold by the end of the FYP, and the coefficient of renewal of fixed productive capital will be 10 percent.

Repair and servicing by manufacturing enterprises will undergo further development, especially in the case of precision equipment being operated in enterprises and organizations, and also in the case of sophisticated household equipment of individuals.

Efforts will broaden to create joint enterprises with foreign firms to produce sophisticated household appliances and computers. Plans call for building a number of specialized enterprises to produce sophisticated household equipment, including plans for color VCR's, television sets, and other products. Total output of consumer goods at machinebuilding enterprises will grow 2.8-fold over the 5-year period.

The republic's chemical complex will aim for new frontiers: production is to increase 45-47 percent, combined with a broadening of the assortment of products produced and an improvement of product quality. The output of manufactured fertilizers will be brought up to 2.4 million tons in 1995, that of chemical fibers and filaments to 67,000 tons, and synthetic resins and plastics up to 223,000 tons. In addition to chemical products which have been traditional for the republic, a number of others will also be put into production for the first time: specifically, plans call for building enterprises to produce a broad assortment of medical preparations such as vitamins, antibiotics, entero- and hemosorbents, medical instruments and equipment (single-use syringes, rubber goods, systems for taking blood samples and blood transfusions, containers for shipping blood, etc.).

Construction of six new enterprises and reorientation of the three existing enterprises has been envisaged in order to fully meet the needs of the republic's population for various kinds of rubber footwear (for work, for children, for sports, and Oriental-style galoshes). To be specific, the output of Oriental-style galoshes will be increased to 20 million pairs a year.

Production of feed protein and enzyme preparations for animal husbandry will become a matter of particular concern in the 13th FYP; their use will make it possible to increase the efficiency of the use of feed and ultimately raise productivity of this most important branch of agriculture. To that end, 20 modular installations will be built in Kara-Kalpak ASSR and all the republic's oblasts for the production of feed protein and plant-hydrocarbon feed (to produce 1,000 tons and 3,500 tons each, respectively, per year). In addition, in Kara-Kalpak ASSR a hydrolysis plant will be built with a feed protein capacity of 10,000 tons per year, and its production will be expanded by the same capacity at the existing Yangiyul Biochemical Plant.

Since improvement of the quality of products of light industry and expansion of their assortment depends in large part on the use of chemical fibers and filaments, interrelated projects have been outlined for reconstruction and expansion of production of "nitron" fiber, and construction of a new plant to make capron filaments has also been planned. A plant will be built in Syr-Darya Oblast to produce high-modulus capron filament, and during the next 5-year period its first stage would be put into operation with a capacity of 15,000 tons per year, and subsequently capacity would be increased to 50,000 tons per year. Full use of the capacity of this enterprise in the future will make it possible to process completely to the end product all of the caprolactam produced in the republic, which at the present time is being exported to other regions of the country.

In order to meet the needs of the public more fully for household chemical products, synthetic detergents, and products made from plastics, enterprises will undergo reconstruction and existing production operations of the chemical sector in the cities of Tashkent, Almalyk, and Dzhizak will be retooled. Plans call for completing construction of a plant for reusable plastic containers, which will meet the need of all sectors of the republic's economy for these containers.

In order to support the housing program that has been approved, plans call for organizing at enterprises of the chemical complex production operations based on up-to-date technologies to produce linoleum, self-sticking wallpaper, and paints and varnishes in amounts covering the needs of both state and private housing construction.

At existing enterprises manufacturing fertilizer and chemicals for plant pest and disease control, a group of interrelated projects will be carried out to eliminate from

the manufacturing process ecologically harmful production operations and to replace them by harmless operations that preclude pollution of the environment. Efforts are outlined on a broad scale to reorient the space made available and to organize production of consumer goods in that space.

The republic's **metallurgical complex** will achieve new production targets in the 13th FYP.

The development of ferrous metallurgy, as in the past, is based on conversion of scrap and waste of ferrous metals formed in the Central Asian republics, along with the development of steel and finished rolled products used in this region.

In the coming FYP, construction will begin at the Uzbek Metallurgical Plant of a pipe welding mill with a capacity of 100,000 tons of small-diameter pipe for municipal service and residential purposes; an electric melting shop will be rebuilt and its capacity raised to 300,000 tons and shops for production of steel enamelware will be rebuilt and its production increased by 15 million rubles.

New scrap processing shops will be built in the cities of Denau, Shakhrisabz, Termez, Navoi, and Karshi with a total capacity of 60,000 tons; in addition, the capacity of shops that exist in Tashkent will be enlarged by 80,000 tons through reconstruction.

All these measures will make it possible to bring the total volume of the products of ferrous metallurgy for the market up to 300 million rubles by 1995, which means a growth rate of 121 percent over the 5-year period, including a growth of 170 percent for the output of consumer goods.

Nonferrous metallurgy will develop on the basis of full-fledged expansion of its own raw materials base and reconstruction and retooling of existing enterprises.

In order to make up for the open-pit mines of the Uchkulach Lead and Zinc Mine which have been worked out and to increase the volume of production, plans call for building an underground mine based on the reserves of the "Dalnyy" section and also for prospecting the Severnyy Altyn-Tokkan deposit. Plans are to expand the Sary-Cheku Copper Mine, and the Kalmakyr Mine will undergo reconstruction.

The production of hard alloys will be augmented over the period 1991-1995 through reconstruction and retooling of the Uzbek High-Melting and Refractory Metals Combine. Thanks to reconstruction of the Tashkent Aluminum Alloy Plant of the RPO "Uzvtortsvetmet," the production of secondary aluminum will grow by 16,000 tons, which will make it possible to organize the production of stamped shapes in a volume of 5,000 tons a year.

The volume of marketed output of nonferrous metallurgy during the FYP is to grow 26-27 percent, including a 2.2-fold growth for consumer goods.

In agreement with the USSR Ministry of Geology, development of the raw materials base of the fuel and energy and mining complexes is to be accentuated in Uzbek SSR, along with a growth of reserves of natural gas, petroleum, and gas condensate, as well as expansion of geological explorations for gold and silver, lead-zinc, and tungsten ores, building materials, and other minerals. Explorations and prospecting of subsurface water will continue for industrial and drinking water supply of cities and rural rayons.

Priority importance is to be attributed to improving the utilization of the natural economic potential of the republic's **agroindustrial complex**, to strengthening its contribution to carrying out the Food Program, to reinforcement of Uzbekistan's role as the country's main source of cotton, and to achievement of a radical breakthrough in solving the problems of social reorganization of rural life.

With that in view, measures are to be carried out to achieve the following:

- accelerated development of the processing branches of the agroindustrial complex thanks to improved processing of agricultural raw materials, expansion of the product assortment and improvement of product quality, elimination of losses of raw materials, guaranteeing an increase in the volume of production of foodstuffs of 1.5-1.6-fold over the 5-year period;
- a qualitative rise in the level of cotton growing, elimination of the cotton monoculture, radical improvement of crop rotation and the condition of the soil, and also an essential improvement in the environmental situation in rural areas.

By stabilizing the production of raw cotton at the level of 5 million tons (which is equivalent to 1.6 million tons of fiber), the cotton monoculture will be eliminated, cotton-alfalfa crop rotation will be fully adopted (61.8 percent of all the cotton growing in the republic), the branch will undergo intensification with improvement of the quality of the fiber and other cotton products, and labor inputs per hectare of cotton planted will be reduced by a factor of at least 2-2.5.

In the **production branches of cropping**, expansion of the area planted and improvement of the yield are to bring grain production up to 2.4 million tons in 1995, potato production up to 600,000 tons, the gross harvest of vegetables and melons will increase 1.5-fold, and that of fruit and grapes 1.6-fold. There will be larger deliveries of fruit and vegetables to the stocks of the entire union.

In **livestock raising**, interrelated measures will be carried out to strengthen the feed base, to increase the number of head and productivity of livestock and poultry in the

socialized operation on that basis, while on kolkhozes and sovkhozes milk production is to increase 1.6-fold and production of meat and eggs 1.4-fold over the 5-year period.

Comprehensive reconstruction of irrigation systems over an area of 700,000 hectares is envisaged to increase the return from irrigated land. New irrigated land is primarily to be obtained by adding fallow tracts within the reach of the irrigation system, and water resources are to be made available for these purposes through broad application of water-saving technologies and progressive methods of applying the water.

Faster performance of the tasks of the Food Program will be promoted by stress on development of the **processing branches and storage capacities** in the agroindustrial complex. By more thorough processing of agricultural raw materials, by reduction of losses of those materials, and by expansion of the product assortment and improvement of product quality, a 1.5-1.6-fold increase will be achieved in the production of foodstuffs, including a 1.3-fold growth for meat and meat products, 1.5-fold for whole-milk products, 1.3-1.4-fold growth for flour, 1.6-fold growth for confectionery products, and twofold growth for margarine products.

The social sphere in rural areas will undergo priority development. Housing with a floor area of 39-40 million m<sup>2</sup>, children's preschool institutions with a capacity of 347,000 children, general public schools with a capacity of 755,000, outpatient-polyclinic institutions with a capacity of 21,700 visits per shift, 15,600 km of water supply lines, and 4,200 km of gas supply lines will be activated during the 5-year period.

The following are to be developed in the branches of the agroindustrial complex:

- in agricultural production—promising new cotton varieties with given characteristics and adapted to machine picking; new herbicides, antiwilt preparations, growth regulators and fertilizers; fundamentally new equipment for field work in cotton growing (more power-packed tractors, cotton pickers with higher productivity, units for surface cultivation of crops to control pests and diseases); a system of machines for full mechanization and automation of operations in fruit growing, grape growing, vegetable growing, animal husbandry, feed production, and sericulture; in the cotton ginning industry automatic control systems are to be developed and applied to control the technological process from the moment the raw cotton that has arrived for processing is weighed to the storage of the finished product; in the food branch automated flow production lines are to be introduced to package perishable products and baby food; in the oil and fat branch the method of direct seed extraction is to be applied; in the fruit and vegetable industry up-to-date methods of storing agricultural products in a modified

gas medium using membrane processes are to be widely applied.

Practical realization of the set of measures outlined to develop the agricultural sector would make it possible to substantially increase consumption of meat and dairy products by the republic's population, thereby breaking the trend established in recent years of the republic's widening lag behind average union per capita consumption and also to increase to the optimum standards per capita consumption of confections and macaroni products, vegetable oil, vegetables, melons, fruit and grapes, assuming additional imports of potatoes as well.

The republic's public **transportation** is being given the task of prompt, quality, and full satisfaction of the needs of the economy and the public for transportation services on the basis of intensive use of fleets and rolling stock, provided their operation is safe. To that end, the program sets forth measures for planned and proportional development of the transportation complex, for a strengthening of its interaction with related sectors of the economy, and for guaranteed preservation of freight being carried and reduction of shipping costs.

Improvement of the structure for management of transportation processes, economic employment of untapped potential for increasing the efficiency of fixed and working capital, and a stepped-up effort to improve the environmental situation in the area affected by transportation have been envisaged.

In **railroad transportation**, plans call for increasing the traffic capacity of the Central Asian Railroad by electrifying the main route Mekhnat—Dzhizak—Superfosfatnaya—Bukhara with the branches Dzhizak—Khavast—Kokand and Superfosfatnaya—Karshi—Bukhara over a total length of about 1,200 km and to rebuild the equipment of a number of classification yards, which will make it possible to convert a third of the railroad's freight traffic to electric traction. At least 220 km of second track will be laid, the effort will continue to convert lines to a block system and centralized traffic control and to develop the "Ekspres 2" system of seat reservations and assignment in passenger trains.

Over the 5-year period the volume of rail freight traffic will grow 8-10 percent and passenger traffic 10-12 percent.

In **highway transportation**, predominant development is envisaged for common carriers by increasing the effectiveness of their use. An increased share of freight will be carried by trailer, in containers, on pallets, and by other progressive methods. The level of mechanization in freight-handling operations will exceed 87 percent. As part of the effort to strengthen the sector's plant and equipment, there will be 12 trucking enterprises newly built or undergoing reconstruction.

Particular importance is being attributed to strengthening resource conservation in the complex, combined with the solving of environmental problems. To that end, measures have been worked out for accelerated replacement of traditional fuels by compressed and liquefied gases, which will make it possible to save at least 600,000 tons of gasoline and diesel fuel. Multipurpose stations will be opened in the cities of Andizhan, Dzhizak, Navoi, Namangan, Nukus, Samarkand, and Fergana for periodical certification of trucks carrying gas cylinders.

**Highway management** will continue its development. Plans call for construction and reconstruction of 300 km of hard-surfaced roads in the 5-year period and activation of 10 overpasses where national and republic highways intersect railroads.

In **air transportation**, plans call for carrying out a set of measures to improve flight safety and passenger service. The highly productive new TU-204 airplanes will be prepared for operation on local airlines. Construction of a new runway will begin at Samarkand, and the civilian airport at Bukhara will undergo reconstruction. The "Trassa" automatic system for air traffic control has been proposed for application at the Tashkent Airport. Plans call for preparing the feasibility study and reserving the site for construction of the new "Tashkent" Airport. Air passenger traffic will increase 9 percent over the 5-year period.

**Communications** will undergo accelerated development. The volume of communications services will grow 1.6-fold. By the end of the FYP, the number of telephones in the republic will reach at least 2.2 million; broad introduction of quasi-electronic automatic telephone offices will begin. Intercity telephone service will rise to a qualitatively and quantitatively new level; to that end, plans call for laying at least 260 km of fiber-optic intercity cable lines, establishing new intercity ATS's with 760 channels in Samarkand and 1,500 channels in Namangan, and expansion of the ATS in Tashkent by 1,200 channels. The level of automation of intercity telephone service in the republic will rise to 70 percent by the end of the FYP.

**Industrial transport** will undergo further development. The level of mechanization of materials-handling operations will rise, and construction of underground railroad track will continue. Work is expected to begin to create continuous conveyor systems for moving materials.

**Investment policy and capital construction.** The main directions of investment policy in the 13th FYP arise from the need for qualitative transformation of the production structure, acceleration of scientific-technical progress and renewal of the production potential in place, and creation of new fixed capital. Ultimately,

performance of the investment program will make it possible to solve social problems at a faster pace and to radically improve the population's working and living conditions.

Performance of the measures outlined by the program necessitates increasing the limit-allowances of capital investments to 61.1 billion rubles, as against the 38.6 billion rubles anticipated in the 12th FYP, 35.6 billion rubles of which will go for construction of production facilities and 25.41 billion for construction of nonproduction projects.

Construction and installation work will have to be increased 1.6-fold over the anticipated fulfillment for the years of the 12th FYP in order to perform the socioeconomic tasks that have been set in the program.

The efficiency of the investments in the program is to be increased by improving their sectoral structure and reproductive structure, by concentrating money and resources above all on retooling and reconstruction of existing enterprises and on construction of projects that determine scientific-technical progress and the solution of social problems.

Capital investments in the **machinebuilding complex**, in which the principal advances of scientific-technical progress are implemented, are to increase 2.6-fold over the 12th FYP, while the growth in the **chemical complex** will be approximately 2.8-fold. At the same time, **principal emphasis will be placed on construction of enterprises producing consumer goods, medical equipment and pharmaceuticals, as well as on carrying out measures to strengthen environmental protection.** Among the other heavy branches, particular attention will be paid to the growth of investments to develop the **fuel and energy complex**, which will make it possible to guarantee reliable supply of fuels and electric power to the economy.

In order to strengthen the social orientation of the republic's economic development, the decision has been made to increase capital investments in **light industry**, which manufactures consumer goods, by almost three-fold, in the **furniture industry** by more than fourfold, and in **local industry** by 5.2-fold.

Almost 43 percent of all capital investments from all sources of financing are to be committed to the agroindustrial complex, priority being given to branches processing agricultural raw materials (a growth of 1.6-fold over the current FYP), which will help to overcome the serious disproportions in the APK's structure that have been holding back growth of the end product.

Construction subdivisions confront the tasks of a major rise in production efficiency, assurance of the activation of enterprises and projects under construction within the allowed period of time, combined with a substantial

improvement in the quality of construction and installation work; adjustment of the volume of partial construction and unfinished construction to the standard levels; assurance that construction of projects for production purposes is combined with activation of housing and projects for social, cultural, and consumer services envisaged in project plans.

The program envisages measures for further industrialization of the construction process, for its transformation into a single process of erecting structures from components fabricated off-site. At the same time, there will be a substantial rise in the level of mechanization of construction and installation operations, and the share of unproductive manual labor in construction will be reduced by approximately 25 percent.

Parameters for further development of the **building materials industry and construction products industry** over the period 1991-1995 have been worked up in order to support the intended program for capital construction. Production of the principal building materials will increase as follows by 1995: cement 66-67 percent, slate 57-58 percent, linoleum 3.3-fold, ceramic facing tile 4.5-fold, wall materials 55-56 percent, porous fillers 81-82 percent, lime 2.2-fold, and builder's gypsum sevenfold. This growth will be accomplished mainly through better utilization of existing production capacities by carrying out organizational and technical measures at enterprises, through reconstruction and retooling, as well as by construction of new enterprises.

**Social development and raising the people's standard of living.** The draft program calls for strengthening the social orientation of the republic's economic development in the 13th FYP and for solving one after the other the major problems of raising the material and cultural standard of living of the population. On that basis:

- it is considered a most important socioeconomic task to guarantee effective employment in social production of the rapidly growing able-bodied population, attributing paramount importance to organizing jobs on the basis of retooling and reconstruction of existing enterprises, construction and activation of new projects, and raising the shift coefficient of operation to 1.8-2. This will make it possible to bring into social production and to education the entire annual growth of labor resources—1.375 million persons, by creating 700,000-750,000 additional jobs;
- making every use of new forms and lines of cooperation with the fraternal union republics and regions with a labor shortage, the training of personnel in the common occupations and specialists and their participation in developing promising regions of the country on a contract basis are to expand;
- a growth of personal income is to be achieved on the basis of higher productivity of social labor, application of advances of scientific-technical progress, and improvement of the production structure and the organization of production. Plans call for increasing

per capita personal income by 27-30 percent and per capita payments and benefits from social consumption funds 35-40 percent;

- the branches of the social infrastructure and trade and consumer services are to develop at an accelerated rate, and the adequacy of housing, children's pre-school institutions, schools, hospitals, and other facilities for social, cultural, and consumer services will be increased relative to population. To that end, the share of money committed to developing the branches of the nonproduction sphere will be increased to 39-42 percent of the total volume of capital investments.

In accordance with the **housing program**, during the 13th FYP housing is to be activated with 67.7 million m<sup>2</sup> of total floor space financed from all sources. Some 60-70 percent of all the housing activated will be built with private funds through the channels of housing construction cooperatives and private construction. At the end of 1995, the per capita housing stock will be 12.9 m<sup>2</sup> of total floor space, as against 11.81 m<sup>2</sup> at the end of 1990, or a growth of 9.3 percent.

In development of **municipal services and utilities**, principal attention is to be paid to further development of water supply and water disposal, which will make it possible to increase the coverage of the population served by centralized water supply, to increase the quality of the water delivered, and to improve the public health and epidemiological situation in the republic.

Total water consumption per urban inhabitant of the republic is to be raised 11.6 percent by the end of 1995, including an increase of 18.9 percent for household use, drinking, and municipal purposes.

The level of disposal of effluents in sewer systems relative to the total water discharged in urban settlements of the republic will be about 60 percent at the end of 1995, as against 52 percent in 1990.

In the development of **health care**, the preventive orientation in the work of the sector is to be intensified, the quality of medical service is to be improved, and the gradual transition made to universal dispensary observation of the population. The supply of medicines and up-to-date diagnostic and therapeutic equipment and medical equipment to health care institutions and individuals is to be improved.

Outpatient-polyclinic institutions are to develop at an outstanding pace, polyclinics are to be activated with a capacity of 140,000 visits per shift, and polyclinics are to undergo reconstruction and to be reequipped with a capacity of 29,400 visits per shift. The adequacy of outpatient-polyclinic institutions relative to population is to be raised 1.7-1.8-fold.

The network of therapeutic and preventive medical institutions is to develop further thanks to construction of multiprofile and specialized hospitals and hospital, polyclinic, and therapeutic-diagnostic buildings. Hospitals with 58,000 beds are to be activated, and hospitals with 16,800 beds are to undergo reconstruction and are to be reequipped. The adequacy of the number of hospital beds relative to population is to be increased 8.3 percent.

Work collectives will make considerably broader use of cost-accounting economic incentive funds to build sanatoriums and preventoriums, sanatorium and health resort institutions, medical-health units, and therapeutic-preventive institutions.

There will be an expansion of the network of sanatorium and health resort facilities by 3,012 beds and of tourist institutions and centers by 5,482 beds.

The system of **public education** will be improved through full application of the measures envisaged by the reform of the general public school and the vocational school. The plant and equipment of schools, vocational and technical schools, secondary specialized educational institutions, and VUZ's are to be bolstered. General public schools with places for 1.5 million students and children's preschool institutions with 600,000 places are to be built and activated. The percentage of children of preschool age in kindergartens is to be raised from 37 to 65 percent.

The network of cultural and adult education institutions is to be developed by building clubs and culture centers to accommodate 101,400, movie theaters with 43,600 seats, theaters and concert organizations with 3,800 seats, and republic and oblast libraries with holdings of 10 million volumes.

It is a most important task of the next FYP to achieve a substantial improvement in the level of the population's consumption of material goods and services and to improve the pattern and quality of that consumption.

To that end, balance is to be achieved between the effective demand of the public and the amounts of goods and services supplied them, to develop in every way the socialist market for **consumer goods** on the basis of a 1.6-1.7-fold growth of their production, accompanied by a 1.7-1.8-fold growth of paid services.

Some 135 new facilities will be built for the production of goods for the public, and allocation of limit-allowances of capital investments and contract work is being envisaged for these purposes on a priority basis. Some 29 existing enterprises will be reoriented to the production of consumer goods, 80 enterprises that now exist will undergo expansion and reconstruction, the efficiency of utilization of existing capacities will be increased, and these factors will account for at least 45 percent of the total growth of production planned for the FYP.

Plans call for increasing the production of **nonfood commodities** 1.7-1.8-fold, including a 2.1-fold growth of **durable consumer goods and housewares**. There will be a substantial growth of the contribution of enterprises and associations under union jurisdiction located in the republic, and by 1995 their share in the total volume of goods produced for the public will increase to 17.3 percent, as against 12.3 percent in 1990. Production of small washing machines, sewing machines, color VCR's, and also black-and-white television sets, electronic toys, bicycles, classroom and home computers, radios, automobile air conditioners, etc., is to be organized at those enterprises. Production of household chemical products, synthetic detergents, goods for sports and tourism, and household appliances is to be expanded. Creation of specialized capacities for production of goods of high technical sophistication with a rounded production cycle will make it possible to substantially improve the effectiveness of capital investments and to guarantee an increase in the republic's exporting capabilities as well.

A set of measures has been outlined to concentrate production of uncomplicated nonfood commodities at enterprises under republic jurisdiction, above all in **local industry**, employing the capacity made available at enterprises in the machinebuilding complex in the production of sophisticated household appliances.

The production of consumer goods at the enterprises of local industry is to be augmented 1.6-fold through construction of new enterprises, reconstruction and retooling of existing ones, adoption of new forms of the organization of work, including leasing, and expansion of the production of products of artistic handicrafts.

Plans call for a substantial increase in the production of goods which are in demand in cooperatives, especially the production of local building materials, and also goods based on the use of local raw materials and secondary resources. A set of measures, including a flexible tax policy and supplying raw materials and bank credit, will be used to ensure that cooperatives sell products predominantly at state retail prices.

In **light industry**, plans call for increasing the total volume of production 2-2.1-fold. Here, there will be a 33-34-percent increase in the share of the garment, knitwear, and footwear industries. Future development of light industry will be based on bringing utilization of existing production capacity up to the standard level and also through construction, expansion, retooling, and reconstruction of more than 100 enterprises and subsidiaries.

The production of cotton fabrics is to increase to 822 million m<sup>2</sup> by 1995, which will make it possible to satisfy the public's need for them up to the optimum level and to increase the republic's exporting capabilities to 170-180 million m<sup>2</sup>. By 1995, the republic will have the capability of processing 14-15 percent of the cotton fiber it produces. Plans call for eliminating disproportions in

the development of the capacities of the spinning, weaving, and finishing operations and for creating new capacities for worsted spinning and the production of upholstery fabrics.

The output of silk fabrics will approach 250 million m<sup>2</sup> by 1995, which by and large will make it possible to satisfy the demand of the public for this product.

Production of knitwear will increase 1.8-fold to 240 million pieces. The growth of production will be achieved mainly through construction of small new enterprises with 200-300 work stations located in small cities and rural localities.

On behalf of fuller utilization of the resources for wool that exist in the republic and to meet the needs of the public for woolen fabrics, two worsted woolen combines are to be built. This will make it possible to produce 19.3 million m<sup>2</sup> of finished woolen fabrics in 1995, or 25-fold more than at the present time.

The production of sewn garments will increase 1.5-fold. The 20 enterprises of this branch proposed for construction will be located primarily in small cities and rural settlements.

Footwear production will be 66.5 million pairs by 1995. Foreign firms will be involved in the retooling and reconstruction of existing enterprises. New construction will account for an annual growth of production of 16 million pairs.

Over the period 1991-1995, capacities will be activated to produce furniture in the amount of 109.7 million rubles thanks to construction of new enterprises, 82 million rubles thanks to expansion of existing enterprises, and 77.5 million rubles thanks to reconstruction and retooling. In 1995, furniture production in the TPO "Uzbekmebel" of USSR Minlesprom will increase to 475 million rubles, or 2.2-fold more than in 1990.

Plans call for building a wallpaper factory and a paper factory and a plant for the production of wood chipboard.

Development of the **service sector** is to be based on improved quality of the services offered, better customer service, adoption of progressive forms of service, and organization of new types of services. In order to overcome differences in the supply of services to the public in different regions of the republic, plans call for their accelerated development in small cities and rural localities. The network of consumer service enterprises that is to be newly built will be located on the basis of their proximity to where people work, go to school, and live. Enterprises and organizations will be enlisted to render services regardless of their departmental subordination.

The growth of consumer services is being proposed at a level of 1.6-1.7-fold, including a more than twofold growth in the volume of services related to repair and construction of housing, garages, cabins in the country and other structures on orders for the public. The volume of tourist-excursion services is to increase 2.3-fold, the volume of sanatorium and health resort services 2.2-fold, the volume of services of physical fitness and athletic organizations 3.3-3.4-fold, the volume of passenger transportation services 1.7-1.8 fold, the volume of communications services 1.9-fold, and so on.

In the system for **consumer services**, plans call for building 10 consumer service complexes, 32 stations for servicing automobiles, 10 industrial-type shops for repair and custom making of shoes, 6 dry-cleaning plants, 8 centers for processing amateur photographs and films, 10 enterprises specialized in repairing sophisticated household appliances, a plant for production of nonstandard household equipment, and 4 plants for the production of wall materials.

The growth of production of consumer goods, the development of commodity-money relations, and the building of a socialist market on the basis of expanded economic relations between trade organizations and enterprises in industry and a narrowing of the sphere of centralized distribution of commodities will also be accompanied by a strengthening of the plant and equipment of the trade sector. In accordance with the measures outlined over the period 1991-1995, store floor space in **state trade** will increase 27.3 percent, the number of seats in the food service industry 37 percent, and storage area of general warehouses 19 percent. Preference will be given to the construction of facilities that guarantee improved preservation of produce: refrigerated facilities in the distribution network, enterprises to produce intermediate products at a high level of readiness for use, central dining rooms to supply food service enterprises of schools and children's preschool institutions, and the development of trade through manufacturers' outlets. The development of large food service enterprises will be combined with the network of fast-food enterprises, small stores, kiosks, and booths. Lightweight structures will be widely applied in construction.

In order to increase the supply of equipment to trade enterprises, plans call for building a plant with an output of 20 million rubles of equipment for the trade sector.

In the **consumer cooperatives**, there will be a considerable expansion of democratic principles in their activity, shareholders will have a greater role in managing the activity of the cooperative, and new forms of the organization of work will be introduced. Plans call for activating general stores with a floor space of 200,000 m<sup>2</sup> and food service enterprises with seating capacity of 17,000.

The work to provide services to all small rural settlements will mainly be completed by 1995.

### **Environmental Protection and Optimum Utilization of Natural Resources**

While exceptional importance is being attributed to correcting the environmental situation in the republic, in the coming FYP plans call for substantially improving the effectiveness of the measures taken to protect nature. To that end, particular attention will be paid to achieving broad introduction of low-waste and waste-free technologies in the branches of industrial production; highly effective scrubbers and treatment installations will be supplied to all sources of emissions of harmful substances into the atmosphere and sources of harmful effluents into bodies of water; getting all available equipment for scrubbing harmful emissions and for treatment of harmful waste into proper working condition and seeing that it operates efficiently and in accordance with rated indicators and public health standards; broad introduction of systems for recycling of water and multiple use, transition to water-free and low-water manufacturing processes; complete cessation of the discharge of polluted sewage into open bodies of water; maximum employment to economic use of the waste from production and consumption.

Particular attention will be paid to performance of natural conservation measures in the agricultural sector. To that end, measures have been outlined to improve the use of water resources in irrigation agriculture and to reduce the discharge of water from drainage collection ditches; improvement of the equipment and processes for use of chemical agents and biological preparations, observance of the rules governing their storage and shipment; introduction of an integrated system for plant pest and disease control, application of new forms of manufactured fertilizers with a balanced composition of nutrients.

Pursuant to the decisions adopted by the 10th Session of the UzSSR Supreme Soviet, 11th Convocation, the program envisages large-scale measures for optimum and economical use of water resources in the basin of the Syr Darya and Amu Darya Rivers in order to guarantee delivery to the Aral Sea the volume of water necessary to maintain its surface area and in the more remote future to improve the environmental situation in that region.

The program envisages creation and enforcement of environmental zones for public health protection around industrial enterprises and settlements and specifies the volume and schedule of housing construction necessary for movement of the population out of the zones for public health protection; cases will be dealt with of moving outside cities industrial facilities with harmful emissions and effluents and transportation enterprises not related to supporting the life of those settlements; a number of traffic-free zones are to be created in oblast centers and cities with historical and architectural monuments, and skyways and bypass roads are to be built around major cities.

### **Location of the Productive Forces and Economic Development of the Kara-Kalpak ASSR, the Oblasts, and the City of Tashkent**

The program which has been drafted envisages the conduct of a vigorous regional policy directed toward fuller utilization of potential and intensive factors for the economic growth of the autonomous republic, the oblasts, cities, and rayons and at bringing closer together the levels of their economic and social development. A set of measures is planned to bring more natural and labor resources into social production, to increase the efficiency of their use, to improve the location of the raw materials and manufacturing branches, and to revamp the economic structure of the regions.

Measures will be stepped up to introduce progressive forms of regional organization, including the formation of industrial parks and industrial centers, improvement of the system of population distribution, and dynamic development of small and medium-sized cities.

Further development of the productive forces of Kara-Kalpak ASSR is envisaged so as to take into account performance of the tasks arising out of the decisions of the republic's policy-making bodies, aimed at radical improvement of the environmental situation and state of health of the population living in the areas adjoining the Aral Sea.

Industrial output is to increase 1.7-1.8-fold over the 5-year period, and machinebuilding, the building materials and structural fabrications industry, and enterprises of the microbiological industry, light industry, and the food industry are to develop at rates faster than other industries. New facilities activated will include a cement plant, plants for the production of facing tiles and a yeast hydrolysis plant, a dyeing and finishing plant, a garment and knitwear mill, expansion of a furniture factory, and other projects for productive purposes.

Thanks to reconstruction and new construction, capacities are to be added for the production of vegetable oil, nonalcoholic beverages, meat, whole-milk products, and the processing of grain. The volume of production of consumer goods is to increase to 500 million rubles by 1995, with an almost twofold growth over 1990.

The interrelated measures envisaged for the further growth of the autonomous republic's production potential will make it possible to bring about 74,000 persons into social production, which is the entire growth of labor resources.

Measures have been envisaged to ensure a 20-22-percent growth in the gross output of agriculture and to stabilize production of raw cotton at 340,000-360,000 (108,000-115,000 tons of fiber).

Thanks to improvement of the structure of agricultural production and adoption of intensive technologies, the harvest of rice will increase 1.5-fold, and vegetable and melon crops and potatoes 1.3-1.5-fold. The number and productivity of livestock and poultry are to increase, meat production is to increase 1.3-fold, and milk and egg production 1.4-fold on the basis of specialization, adoption of crop rotation, and bolstering of the feed base. Irrigated land will undergo comprehensive reconstruction over an area of 80,000 hectares, measures have been outlined to guarantee an inflow of 11 km<sup>3</sup> of water into the Aral Sea in 1995, to plant new forests, to establish forest protective belts, to establish forests on sandy terrains, and to improve the flora of the dry seabed.

The public health situation and environmental situation are to be radically corrected, and an interrelated set of engineering-technical and socioeconomic measures are to be carried out to mitigate the adverse consequences of the drop in the level of the Aral Sea.

The social sphere will undergo accelerated development, and the volume of sales and range of types of paid services to the public will increase 1.8-fold. Plans call for bringing 4.166 million m<sup>2</sup> of total area under cultivation, for raising the level of water consumption, for expanding the network of outpatient-polyclinic institutions 1.6-fold, and for increasing the percentage of children in children's preschool institutions from 28 to 53 percent.

In **Andizhan Oblast**, industrial output is to increase 1.35-1.4-fold, faster rates of development being assigned to the most labor-intensive branches of machinebuilding and light industry. Plans call for expanding production capacity at the Andizhan "Elektrosvigatel" Plant and for activating a microelectric motor plant, a footwear factory, a garment factory, a knitwear factory, and a factory making down and feather products.

In the agroindustrial complex, reconstruction and new construction will expand capacities for the production of confectionery products, nonalcoholic beverages, meat, whole-milk products, canned fruit and vegetables, and mixed feeds.

The volume of production of consumer goods has been targeted at 1.7 billion rubles in 1995, which is a 1.6-fold growth over 1990.

Construction and activation of new production capacities will make it possible to bring about 100,000 persons into social production.

Raw cotton production will be stabilized at a level of 460,000-480,000 tons (150,000-157,000 tons of fiber).

Thanks to the cultivation of cotton on the soils of the adyry [gullied foothills of the Tien Shan Mountains], adoption of crop rotation, and expanded planting of feed and food crops, a 1.3-fold growth will be achieved for the gross harvest of vegetables and melons, 1.7-fold for fruit,

and 1.3-fold for grapes. The growth of meat and milk production in socialized animal husbandry is envisaged at 1.5-fold, and that of eggs at 1.6-fold.

During the 5-year period, an area of 85,000 hectares of old irrigated land will undergo comprehensive reconstruction.

The social sphere will experience further acceleration; the volume of sales of paid services to the public will be increased to 290 million rubles by 1995, or a 1.7-fold growth over 1990. During the 5-year period, 4.65 million m<sup>2</sup> of housing will be built, the coverage of children with children's preschool institutions will be raised to 68 percent, and there will be an improvement in the number of hospital beds and capacity of outpatient-polyclinic institutions relative to population.

In **Bukhara Oblast**, industrial output will be augmented 1.4-1.5-fold. Qualitative shifts will take place in the branch structure of industry, with higher rates of development for the microbiological industry and light industry. Plans call for building a complex to manufacture feed protein and a plant to process secondary plastics. New capacities will be activated for the production of leather footwear, especially children's, along with sewn garment and knitwear factories.

There will be development over the 5-year period of the capacity of the processing branches of the agroindustrial complex, including those for manufacturing margarine products, mayonnaise, confectionery products, meat, whole-milk products, canned fruit and vegetables, mixed feeds, and for processing grain.

The volume of production of consumer goods is scheduled to rise to 930 million rubles, with a 1.4-fold growth over 1990.

Interrelated measures for a further growth of the production potential in the oblast will make it possible to bring 65,000-70,000 persons into social production.

The production of raw cotton in the oblast is being stabilized at 410,000-430,000 tons (135,000-142,000 tons of fiber). Thanks to the reduction of the area planted to cotton, the adoption of crop rotation, and improved practices in cropping and animal husbandry, there will be increases in gross harvests: 1.3-fold for vegetables, 1.6-fold for fruit, and 1.5-fold for grapes. On kolkhozes and sovkhozes there will be a 1.5-fold growth of production of meat, 1.6-fold for milk, and 1.4-fold for eggs. Plans call for comprehensive reconstruction of 80,000 hectares of irrigated land.

The social sphere will undergo further development, and the scale of tourism will increase. Some 7.4 million m<sup>2</sup> of housing will be opened to occupancy, which is 3.4-fold more than in the 12th FYP. There will be a substantial improvement in the supply of drinking water to the public. The capacity of outpatient-polyclinic institutions

relative to population will increase 1.6-fold, and the coverage of children with children's preschool institutions will increase from 40 to 68 percent. The volume of sales of paid services to the public will increase 1.7-fold.

In **Kashka-Darya Oblast**, the formation of a large industrial production complex is continuing. Industrial output is to increase 1.6-1.7-fold. At the same time, the production of consumer goods will rise to 700 million rubles by 1995, or 1.9-fold.

Capacities will be activated at the Talmardzhanskaya GRES and Gissarakskaya GES, and capacities for processing gas at the Mubarek Gas Refinery will undergo reconstruction and expansion. Joint construction with foreign firms of a major gas-chemical complex based on Shurtan gas is scheduled for the production of synthetic resins and plastics, fuel and lubricants, and other chemicals to increase the production of consumer goods in the republic.

Plans call for building a silk combine to produce decorative pile fabrics, factories for spinning combed yarns and for production of terry cloth, garments, and furniture. A majority of the enterprises in the oblast will undergo reconstruction based on up-to-date technologies. The construction industry will experience further development.

In the agroindustrial complex, plans call for adding capacity for the production of nonalcoholic beverages, meat, whole-milk products, canned fruits and vegetables, mixed feeds, and grain processing.

The creation of new jobs will make it possible to bring more than 110,000 persons into social production.

The production of raw cotton is to stabilize at a level of 500,000-520,000 tons (159,000-165,000 tons of fiber). The production of potatoes will increase 1.4-fold, vegetables 1.5-fold, melons 1.3-fold, fruit 1.5-fold, and grapes 1.4-fold, meat 1.3-fold, milk 1.6-fold, and eggs 1.5-fold. Plans call for an area of 62,000 hectares of irrigated land to undergo mostly comprehensive reconstruction and for water-saving technologies and new water application techniques to be introduced.

The social sphere is to experience accelerated development. The volume of sales of paid services to the public will be brought up to 220 million rubles by 1995, which is 1.9-fold more than in 1990. Plans call for building and activating 5.8 million m<sup>2</sup> of housing. Coverage of children with children's preschool institutions will be raised to 54 percent, the number of hospital beds will grow 1.2-fold, and the capacity of outpatient-polyclinic institutions relative to population will double.

In **Namangan Oblast**, industrial output will grow 68 percent. There will be more detailed specialization in manufacturing sophisticated products of the electronics and electrical equipment industries, the production of

automation equipment and computers, and high-quality consumer goods. Plans call for reconstruction of present production operations in the avrovyye fabric association and the silk fabric combine, and construction will include new enterprises for the production of silk fabrics, pile fabrics, Jacquard fabrics, and for blended fabrics used for shirting and raincoats, as well as sewn garment factories and factories producing sewn garments and knitwear.

The processing branches of the agroindustrial complex will develop at a faster pace. Plans call for adding capacity for the production of confectionery products, nonalcoholic beverages, whole-milk products, canned fruit and vegetables, and macaroni products.

Thanks to the measures which are to be taken, the production of consumer goods will increase to 1.78 billion rubles by 1995, which is a 1.9-fold growth over 1990.

The creation of new jobs will make it possible to bring more than 100,000 persons into social production.

The production of raw cotton will be 390,000-410,000 tons (126,000-133,000 tons of fiber). Plans call for a 1.3-fold growth in the production of potatoes and vegetable and melon crops, 1.5-1.6-fold for fruit and grapes, 1.3-fold for meat in the socialized sector, 1.6-fold for milk, and 1.5-fold for eggs.

An area of 74,000 hectares of old plowland is to undergo comprehensive reconstruction, and a substantial volume of other reclamation work is to be done.

The social sphere will undergo further development, the volume of sales of paid services to the public will increase 1.8-fold, and 5.7 million m<sup>2</sup> of housing will be built.

The adequacy of outpatient polyclinic institutions relative to population will improve 1.9-fold, and the coverage of children with children's preschool institutions will be brought up to 66 percent.

In **Samarkand Oblast**, industrial output will grow 40-45 percent. The fastest rates of development will be those of the branches of labor-intensive and sophisticated machinebuilding—instrumentmaking, the motor vehicle industry, production of household refrigerators and freezers. Development of the minerals and raw materials of the Kyzyl-kum mining and industrial area will be speeded up, and construction of the Dzheroy-Sardarin Phosphate Mine will be organized. At the Samarkand and Navoi electrochemical plants, the production technology will be improved, capacities will be added to manufacture household chemical products, and a program of environmental measures will be carried. Capacities to be added include those of a wallpaper factory, a

worsted cloth combine, garment and knitwear factories, expansion of the porcelain plant, a furniture factory, and other production operations.

In the food processing industry, capacities will be expanded for the production of vegetable oil, confectionery products, nonalcoholic beverages, and also for the processing of meat, production of whole-milk products, canned fruits and vegetables, mixed feeds, and for processing grain. A plant has been built for the production of glucose-fruit syrups.

Consequently, in 1995 the volume of production of consumer goods will rise to 2 billion rubles, or a 1.4-fold growth over 1990.

The production of raw cotton is stabilizing at 520,000-540,000 tons (168,000-174,000 tons of fiber). By increasing the efficiency of utilization of the natural economic potential, adoption of crop rotation, and intensive technologies, the production of fruit and vegetables will increase 1.4-1.6-fold, that of meat 1.4-fold, and that of milk and eggs 1.6-fold. Plans call for strengthening the plant and equipment and applying up-to-date technologies in the production of dried fruits, raisins, and dates.

Projects are envisaged to rebuild irrigation systems over an area of 52,000 hectares, to establish forest belts to protect farm fields, and other natural conservation measures.

The social sphere will experience accelerated development. Housing will be built in the amount of 8.3 million m<sup>2</sup>, the adequacy of outpatient-polyclinic institutions relative to population will increase 2.1-fold, and the coverage of children with children's preschool institutions will reach 56 percent.

The volume of sales of paid services to the public will rise to 448 million rubles, or a 1.7-fold increase over 1990. The tourist complex, in which new hotels and culture centers will be activated, will undergo further development.

In Surkhan-Darya Oblast, plans call for increasing industrial output 1.6-1.8-fold, with the fastest rates going to the microbiological industry, the chemical and pharmaceutical industry, light industry, and the food industry. Plants are to be built to produce microbiological products for plant pest and disease control, finished pharmaceuticals, for the production of cast and blown rubber products for medical purposes, a worsted fabric combine, and factories to make cloth clothing accessories, footwear, and sewn garments.

The flour milling and rolled products and mixed feed industry will develop at a faster pace. Plans call for building capacities to produce meat, whole-milk products, and canned fruit and vegetables.

The branch structure of industry will improve, there will be a 2.4-fold growth of the volume of production of consumer goods, which in 1995 will amount to 580 million rubles. Thanks to the creation of new jobs, about 80,000 more persons will be brought into the sphere of social production.

The production of raw cotton is being stabilized at the level of 470,000-490,000 tons (145,000-152,000 tons of fiber), and specialization in raising fine-fiber varieties will be retained. Particular importance is being attributed to the further development of cultivation of early vegetables, subtropical fruits, and grape growing. Production in the socialized sector is to increase 1.4-fold for meat, 1.7-fold for milk, and 1.5-fold for eggs.

An important place is being given to increasing the water supply to farms thanks to wide introduction of water-saving technologies and comprehensive reconstruction of 50,000 hectares of irrigated land.

The social sphere will experience accelerated development; the volume of sales and the number of types of paid services to the public will increase 1.8-fold, 4.6 million m<sup>2</sup> will be activated, which amounts to 1.8-fold more than in the 12th FYP. There will be a 1.6-fold rise in the level of water consumption and an almost twofold growth in water disposal. The adequacy of outpatient-polyclinics relative to population will improve 2.2-fold, and the coverage of children with preschool institutions will increase from 28 to 56 percent.

In Syr-Darya Oblast, the volume of industrial production will increase more than 1.5-fold by 1995.

Measures are being envisaged to improve the branch structure of the industrial complex. Plans call for activating new capacities for the mining of metallurgical ores and at electrical equipment, battery, and plastic plants. Construction will include the first phase of the capron filament plant, sewn garment factories, and a branch of the Tashkent abrasives combine.

The food processing industry will develop at an accelerated pace. Over the 5-year period, plans call for building a plant for the production of food concentrates and for adding capacities to produce whole-milk products, canned fruit and vegetables, mixed feeds, and to process grain.

There will be a more than 1.5-fold growth in the volume of production of consumer goods, which by 1995 will reach the figure of 2 billion rubles.

Activation of new production capacities and the creation of additional jobs will make it possible to bring more than 100,000 more people into the sphere of social production.

The production of raw cotton is being stabilized at 710,000-730,000 tons (222,000-228,000 tons of fiber). Plans call for increasing the gross harvest of vegetable and melon crops, fruit, and grapes by 1.3-1.4-fold, and for increasing production in the socialized sector by 1.4-fold for meat, 1.6-fold for milk, and 1.7-fold for eggs.

Irrigation and drainage will be improved on an area of 58,000 hectares, water-saving technologies and progressive methods and equipment for applying water will be introduced extensively.

The volume of sales of paid services to the public will be increased to 230.1 million rubles by 1995. Over the 5-year period, 4.2 million m<sup>2</sup> of housing will be activated, and the coverage of children with preschool institutions will increase to 60 percent.

The production potential of **Tashkent Oblast** will undergo further development, mainly thanks to comprehensive reconstruction and retooling of existing enterprises. Plans call for activating new capacities at the Novoangrenskaya GRES and the Almalyk Mining and Metallurgical Combine. Particular significance is being attributed to development of capacities for the production of consumer goods. Construction will include a plant to make television sets, a combine for upholstery fabrics, sewn garment and footwear factories, as well as other enterprises in light industry.

Plant and equipment for processing and storage of agricultural products will develop at a faster pace. Plans for the 5-year period call for expanding capacities for the production of confectionery products, nonalcoholic beverages, sausage products, whole-milk products, and canned fruits and vegetables. Fish processing enterprises will be built, and the bread-baking, flour-milling, and rolled products and mixed feed branches will undergo further development.

Thanks to performance of the measures which have been outlined, the volume of industrial production will increase 1.3-1.4-fold over the 5-year period, the output of consumer goods will increase to 2.3 billion rubles in 1995, or 1.7-fold, and more than 120,000 additional people will be brought into the sphere of social production.

Raw cotton production is being stabilized at the level of 350,000-360,000 tons (114,000-118,000 tons of fiber). Thanks to the introduction of cotton-alfalfa crop rotation, further development of the specialized vegetable-dairy and fruit- and grape-growing sovkhozes, and the higher efficiency and utilization of the production capacities of livestock-raising facilities, complexes, and industrial-type poultry farms, plans for the 13th FYP call for a substantial increase in the production of the output of the food branches of cropping and animal husbandry to create a reliable source of food for Tashkent. The gross harvest of potatoes and vegetable and melon crops will grow 1.3-1.5-fold and that of fruit and grapes 1.7-fold.

Hothouse farms and the production of early vegetables under translucent film will undergo further development. Production of meat and eggs in socialized animal husbandry will increase 1.3-fold and milk production 1.5-fold.

A set of measures has been outlined to optimize natural resource use and to protect the environment, to reduce the discharge of untreated industrial and sanitary effluents into bodies of water. The scale of recultivation of land in areas of mine workings is to expand, capacities are to be activated for the recovery of kaolin, phosphogypsum, and slag and to produce industrial and household ceramics, building materials, and other products.

The social sphere will undergo further development, more than 4.9 million m<sup>2</sup> of housing will be built, the adequacy of outpatient-polyclinics relative to population will increase 1.5-fold, and the coverage of children with preschool institutions will increase from 46 to 68 percent.

The volume of sales and number of types of paid services to the public will increase. A complex for sports and tourism will be activated at the Beldersay natural phenomenon.

In **Fergana Oblast**, the volume of industrial output is to increase 25-30 percent. The branches of the machine-building complex, especially instrumentmaking, will experience priority development.

Radical shifts will occur in the structure of industrial production thanks to the faster development of enterprises manufacturing consumer goods. The volume of their production is to increase to 2.45 billion rubles by 1995, with a 1.6-fold growth over 1990. To that end, a scientific-production complex is to be built to manufacture medical equipment, and enterprises will be built to manufacture sewing machines, bicycles, and household radio equipment. In the years of the 13th FYP, the task has been set of activating a finishing factory at the Fergana Textile Combine, a leather clothing accessories factory, a hosiery factory, two sewn garment factories, and a carpet combine. A majority of existing enterprises will be retooled on the basis of up-to-date technologies.

In agriculture, reduction of the area planted to cotton, full adoption of crop rotation, and broad performance of reclamation work on 72,000 hectares are to substantially improve the fertility of the soil, to increase the yield of agricultural crops, and to strengthen the source of animal feed. The production of raw cotton is being stabilized at a level of 510,000-530,000 tons (165,000-172,000 tons of fiber). The gross harvest of potatoes and melons will increase 1.3-fold, that of vegetables 1.5-fold, and that of fruit and grapes 1.4-1.5-fold. The production of meat and eggs in the socialized sector will increase 1.3-fold and that of milk 1.6-fold.

An important place is being given to development of the material and technical base for storing and processing agricultural raw materials. Capacities will increase for the production of confectionery products, nonalcoholic beverages, whole-milk products, and canned fruits and vegetables. Capacities will be activated to store grain, to produce bread and rolls, and to prepare mixed feeds.

Profound changes will take place in the oblast's social sphere. The productive forces will undergo accelerated development, and the creation of new jobs will make it possible to bring another 107,000-110,000 people into social production. Paid services to the public will amount to 360-370 million rubles, or a 1.5-fold increase over 1990. Housing will be activated in the amount of 7.6 million m<sup>2</sup>, children's preschool institutions with a capacity of 46,000 places will be added, there will be new hospitals with 4,500 beds, the capacity of outpatient clinics and polyclinics will be increased by 8,800 visits per shift, and more than 68 percent of children of preschool age will have kindergartens available.

In **Khorezm Oblast**, the fastest rates of development are envisaged for machinebuilding, light industry, and the food industry. Plans call for activating a plant that will make container-type filling stations to fuel motor vehicles, a carpet combine, factories to produce Jacquard fabrics, sewn garments, knitwear, and woven ribbon, a porcelain plant, and a plant to make special work shoes.

The food processing industry will undergo further development. Plans call for building capacities for the production of margarine products, expanding the output of nonalcoholic beverages, whole-milk products, and canned fruits and vegetables. Capacities are to be expanded for the storage and processing of grain.

The oblast's accelerated development of the productive forces will make it possible to increase the volume of production of agricultural products by 1.4-1.5-fold and to bring 64,000-70,000 persons into the production sphere. The output of consumer goods will increase 1.9-fold and will amount to 970 million rubles in 1995.

The production of raw cotton is being stabilized at the level of 340,000-360,000 tons (108,000-150,000 tons of fiber). The food branches of cropping and animal husbandry will develop at an accelerated pace. The gross harvest of vegetable and melon crops will increase 1.3-1.4-fold, that of fruit and grapes 1.4-1.5-fold, meat production in the socialized sector will increase 1.6-fold, that of milk 1.7-fold, and that of eggs 1.4-fold.

Effective utilization of land and water resources will be given decisive importance in the practical performance of the tasks that have been set. Irrigated land is to undergo comprehensive reconstruction over an area of 65,000 hectares, progressive types of drainage, water-saving technologies, and new equipment for water application are to be put into production.

Particular attention is being paid to development of the social sphere and to raising the standard of living of the population. Housing per inhabitant is to be increased to 14 m<sup>2</sup>; the number of outpatient and polyclinic institutions is to be increased 1.6-fold; and the coverage of children with preschool institutions is to be raised to 54 percent.

In development of the city of **Tashkent**, particular attention will be paid to carrying out the new master plan of the republic's capital and to carrying out a broad set of interrelated measures to improve the environment and lower the level of water and air pollution.

A further growth of the city's economic potential is to be accomplished thanks to the growth of industrial production specialized in the production of consumer goods, whose volume will rise to 3.7 billion rubles by 1995.

Plans call for organizing the production of color VCR's and television tubes, personal computers, washing machines, and other sophisticated household appliances. Reconstruction and retooling of the existing capacities of the "Tashelektromash" Plant, the abrasives combine, the tool plant, the compressor plant, and the PO "Elektrobytmash," the "Tashavtomatika" Plant, the electronics equipment plant, the textile combine, the leather and fur plant, and the experimental silk-spinning factory, and a number of enterprises in local industry will be speeded up.

Measures have been outlined to transform [original reads "prevent"] the social infrastructure into an integral subsystem of the municipal economy. There will be 1.3-fold more housing activated than in the current FYP, coverage of children with preschool institutions will rise to 90 percent, and the network of polyclinic institutions will increase. Transportation networks will undergo further development, including the subway.

#### **Improved Management of the Republic's Socioeconomic Development**

The transition to predominantly economic methods of managing the development of social production is to be speeded up, the organizational structure of management is to be improved, the cooperative movement is to grow, progressive forms of the organization of work and work incentives, the lease contract, the collective contract, and the family contract are to become widespread, and that will be the basis for increasing the motivation of local soviets of people's deputies, sector management entities, and work collectives to achieve the goals envisaged by this program for increasing the volume of production, raising production efficiency, and boosting the standard of living of the population.

The principles of restructuring the management of the economy and the social sphere in the republic are to be introduced on the basis of self-management and self-financing, effective exercise of its rights and greater responsibility in solving the problems of economic and cultural construction.

A set of measures has to be carried out making it possible to make fuller use of regional factors of economic growth. Local soviets are to integrate guidance of all sectors of the social sphere, including the production of consumer goods, construction, environmental protection activity, and the regional infrastructure.

Work is to be done in the shortest time for sound selection of sites where construction of new enterprises is to begin in the 13th FYP and to monitor performance of predesign and design work so that the program outlined is unconditionally fulfilled.

The forms and methods of planned management of regional socioeconomic development will undergo further improvement. In accordance with the requirements of self-management and self-financing, the makeup of initial planning data is to be defined, measures are to be carried out to improve the system of material and technical supply, and broader rights will be afforded in capital construction, the acceleration of scientific-technical progress, and the performance of natural conservation measures.

The necessary effort is to be organized to compile the 5-year plan for the period 1991-1995 on the basis of the new approaches envisaged in the Basic Principles of Restructuring the Management of the Economy and the

Social Sphere in the Union Republics to the questions of increasing the economic independence and responsibility for comprehensive planning and development of the economy and for raising the standard of living of the population.

The sources of financing for the present program have in fact been designated in accordance with the principles of the new regional policy. It is envisaged that development of the social sphere and the branches of the republic economy will be financed with the republic's own resources, and that of the heavy branches of the economy will be financed from resources of enterprises and centralized sources of the state.

Given the key importance of delimiting the functions of the entities of the party and the state and to resurrect the popular sovereignty of soviets from bottom up, the activity of soviets of people's deputies is to be invigorated, above all to accelerate the solution of real problems in raising the prosperity of the people, integrated development of the economy in their jurisdiction, and coordination of the effort of all entities in the economy to fulfill the large-scale targets envisaged by the program.

Timely and full fulfillment of this program should be regarded as practical implementation of the decisions of the 27th CPSU Congress and the 19th All-Union Party Conference, as performance through deeds of the revolutionary tasks of restructuring and of renewal of Soviet society, of party policy to equalize economic and social development of all the union republics, and to increase their contribution to the country's unified national economic complex, and as an example of the new approach to solving statewide and regional socioeconomic problems.

## AGRO-ECONOMICS, POLICY, ORGANIZATION

### Agroprom Bank Activities, Inflation Discussed

#### Agroprom Bank Chairman Interviewed on Bank Activities

18240150 Moscow SELSKAYA ZHIZN in Russian  
15 Apr 89 pp 1-2

[Interview with N.P. Likhachev, chairman, Russian Republic Bank, USSR Agroprom Bank, by V. Virkunen: "Authority of the Credit Ruble"; date and place not given; first paragraph is SELSKAYA ZHIZN introduction]

[Text] Among other top-priority tasks of transforming the country's agro-industrial complex, the March Plenum of the CPSU Central Committee singled out the need for a radical restructuring of the Agroprombank's activities. Without an active credit-and-monetary policy it is impossible to implement the outlined plan for economic and social development of rural areas or to introduce new forms of economic management. Today N.P. Likhachev, board chairman, Russian Republic Bank, USSR Agroprombank [Agro-Industrial Bank], answers questions put to him by the editors of SELSKAYA ZHIZN concerning the reform of the banking system.

[V. Virkunen] Nikolay Petrovich, how would you characterize the changes which have recently taken place in the Agroprombank's activities?

[N.P. Likhachev] It must be frankly admitted that the results which we desire have, unfortunately, not yet been achieved. The partnership between the bank and the farm, whereby both would be motivated to attain end results of production has not yet been consolidated everywhere, nor has it become the norm.

Implementation of the assigned task has turned out to be not a simple matter. The cliches and stereotypes, along with banking monopolism, which have congealed over the years still make themselves known. It's even more difficult to overcome the psychology of inertia on the part of banking staff members in the localities; they have become accustomed to merely "instructing" the managers, and to this day have not understood the new tasks.

Nevertheless, with the aid of the Union-level Agroprombank, we have succeeded in moving the credit-financing mechanism off dead center. The prerequisites for consolidating partnership-type relations with the APC [agro-industrial complex] enterprises have been created, and trust in the bank is being restored, albeit slowly. Instead of numerous purposes for extending credit, we now grant loans for an accumulated need for borrowed funds. The role played by the farms' current accounts. They have been given the complete right to dispose of their own

resources. Enterprises have been freed of the necessity to submit numerous documents to the bank when financing capital construction by means of their own sources.

The role played by the bank's credit agreement with an enterprise-customer is constantly growing. Such an agreement provides for the mutual obligations of the parties concerned, the magnitude of the credits, the time periods of their amortization, and the amount of the interest rate.

[V. Virkunen] Does that mean that the bank's branches in the localities have obtained complete freedom in choosing the conditions for extending credit, and that they are fully prepared to make the transition to cost accounting and self-financing?

[N.P. Likhachev] That's not quite the way it is. The banks cannot yet make the transition to cost accounting in the full sense of that expression. The rumors to the effect that we have the right to reach an agreement with a customer on the magnitude of the payment for credit have been greatly exaggerated. Up to now USSR Gosbank has not expanded the differentiation in the interest rates for credit depending upon the purposes of their utilization, as provided for by the decree of the CPSU Central Committee and the USSR Council of Ministers, dated 17 July 1987, No 821. Thus, the rate of 0.75 percent per annum continues to be in effect on long-term loans. But with a particular customer we can vary it by plus or minus 50 percentage points, i.e., within a range from 0.4 percent to 1.1 percent per annum.

With such an interest rate can we really carry out self-financing if, moreover, we pay Gosbank 1.2 percent for centralized credit resources? To our way of thinking, the interest rates for credits to be granted to the agro-industrial complex should be lower than for other sectors, but at such a level as would stimulate the cost-accounting interest of the Agroprombank in mobilizing deposits and other resources for channeling them into APK development in the form of credits.

The founding of cooperative and commercial banks, along with inflationary processes, require Gosbank to work out a flexible interest-rate policy. A while ago I was talking with the representative of a commercial bank, and I asked him the following question: Can your customer put up commodity resources as collateral for the credit you extend to him? He replied to me that this was not his problem. Commercial banks lend out money for interest rates of at least 10 percent. And the income derived from them are, naturally, incomparably higher than ours, not to mention the wages of the staff members. Our experienced personnel are leaving us for the commercial and cooperative banks. That's what hurts.

I can cite another such example. There is a commercial bank named Rotor in Chelyabinsk. Recently a cooperative turned to them for help: it needed credit in order to purchase and modernize a brewery. The cooperative

members had decided to organize a waste-free technology and to produce fodder along with their basic product. And what has Rotor done?

This is a commercial enterprise, and it has a vested interest in where its money goes. Therefore, it immediately organized a group of experts. After thoroughly studying the situation on the spot, Rotor came to the conclusion that it would grant the credit. But the interest rate would be 5 percent per month, i.e., 60 percent on a per annum basis!

The cooperative refused these one-sided conditions and turned to us for help. But our rayon branch does not know how to proceed with such a customer: we cannot charge them such a high interest rate. But the customer is extremely respectable. There is an unlimited demand for their products—beer and fodder for livestock. And this cooperative will have to pay a tax of only 3 percent of their profits rather than 42 percent in the form of a turnover tax, as established for analogous state enterprises.

I'm not calling for cooperative activity and commercial banks to be banned. Let them operate. On the contrary, the need for their development is dictated by the practical experience of life itself. But so that this competition may become businesslike and healthy, we also need to create equal conditions for everybody: for state enterprises, cooperatives, and banks.

[V. Virkunen] Cooperative members and leaseholders still frequently complain against the bank: they say that they want to obtain credit, but the bank won't give it to them; the bank has not been restructured; there are still all sorts of bureaucratic obstacles, and so on in this vein. Hence the complaints from the localities addressed to all levels, right up to the CPSU Central Committee. How do you respond to or comment upon such a practice?

[N.P. Likhachev] Each specific case has to be analyzed separately. It's impossible to provide a general, all-encompassing answer here. We also have at our disposal information concerning the fact that our organs in the localities have not yet fully grasped the essence of the changes taking place; they have allowed red tape to tangle up the opening of current accounts for leaseholders and cooperative members; and they have held back on granting them credits.

I want to emphasize that we regard each instance of an unwarranted refusal to grant a bank loan as a serious violation of our service obligations, and we are correcting such staff members.

But we often encounter instances of another kind. A leaseholder or cooperative chairman comes in, especially if he is a city-dweller and is not familiar with how things are done in agriculture, and says something like the following: give me cash credit for 50-100,000 rubles; I want to raise pigs, let's say, or fatten up beef cattle. But

he lacks any precise plan as to how he would proceed or in what volume, how he would solve the problems of housing and feeding such livestock, where he would buy the young animals, where he would sell his products and at what prices, what his income and expenditures would be, and whether he would be able to pay back the loan. Only if the bank is convinced of the seriousness of his intentions and the soundness of his plans and calculations will it grant him credit.

I consider that such a posing of the problem is the correct one. After all, you or I, when we lend a neighbor or a friend a hundred rubles or so, always have a guarantee that this money will be returned. But, of course, we wouldn't lend just anyone even a lesser amount. And the bank operates not just with hundreds but rather with hundreds of thousands of the people's rubles.

[V. Virkunen] The acute problem of farms operating at a loss came up at the CPSU Central Committee Plenum. How does the Russian Agroprombank operate in handling the liquidation of losses?

[N.P. Likhachev] This is one of the serious problems on the solution of which will depend, to a great extent, the operational effectiveness of the entire agro-industrial complex. Yes, the RSFSR continues to lag behind quite a bit with regard to loss-prone and unprofitable kolkhozes and sovkhozes. As a rule, most of them are located in poorly productive and poorly shaped lands, or in taiga localities which are remote from industrial centers or roads.

And we must continue to utilize them to the maximum extent possible. What we are talking about primarily is all measures of credit support for enterprises which have genuine prospects for development. Depending upon the specific conditions involved, they will use the credits for outlays connected with changing their production direction, production specialization, and particularly for the social restructuring of the village. There will be substantial growth in the need for credits for retooling the processing industry, strengthening the material-technical base of storing and transporting agricultural products, fodder production, and building intra-farm roads. It's probable that, in order to do this, we will need to introduce major corrections in the structure of credit investments, giving priority to credits for this purpose.

At present, for example, only 4 percent of all long-term credits being granted are being invested in processing agricultural products, 6.9 percent in fodder production, and only 0.9 percent in building intra-farm roads. Some 676 million rubles in credits were granted for building social and cultural facilities during 1988; this was 16.6 percent of the total, including 513 million rubles for the construction of apartment houses and children's preschool institutions. This is a large amount of credit support for farms. But it seems to us feasible to increase it for economically weak kolkhozes and sovkhozes by means of reducing the credits for secondary facilities.

Increasing the funding provisions, capital-labor ratio, and social restructuring will help, to a large extent, the economically weak farms to get back on their feet. But these are merely prerequisites. In our opinion, the main thing is to reaching a turning-point in economic relations in the rural areas, a conversion of such farms to leasing and cooperative set-ups which would be capable of actually ensuring a sharp increase in labor productivity, and, in the final analysis, helping such farms to operating without losses.

[V. Virkunen] But what if a farm, as before, manifests a dependent, even parasitical attitude, fails to seek out ways for increasing its income, and continues to hope for non-reimbursable credits?

[N.P. Likhachev] While granting credits in full faith to farms ensuring the effectiveness of their utilization, the bank, at the same time, cannot encourage slackness, mismanagement, and wasteful squandering. Last year we refused to grant credits to 2,400 enterprises which for a long time had not been repaying loans previously obtained. For this same reason we were compelled to raise the interest rate for the use of credits by 7,500 farms.

We have an extreme measure for influencing a customer—declaring him bankrupt. Last year we proclaimed as insolvent 176 enterprises of the agro-industrial complex, including 37 kolkhozes and sovkhozes, as well as 64 industrial, construction, and supply enterprises and organizations.

We do not consider such harsh measures as ends in themselves, nor do we cut off relations with a bankrupted customer. On the contrary, Agroprombank's specialists undertake the most active participation in restoring its financial "health."

[V. Virkunen] Does such a harsh stimulus help those of your customers whom you have declared bankrupt to achieve production efficiency?

[N.P. Likhachev] Yes, it certainly does help. Here, obviously, in addition to purely economic measures, we must also take the moral aspect into account. What manager or director would like to have everyone pointing their finger at him and calling him bankrupt? And can a manager remain as such after bankruptcy. Therefore, during the period when the banking sanctions are in effect enterprises which have been declared insolvent reduced their above-plan reserve supplies of commercial-material goods by 265 million rubles, and restored the active portion of their operating capital. Credit has already been restored to many of them.

But let's not boast. The anti-expenditure mechanism has not yet become a functioning norm within the system of the agro-industrial complex. Here is a typical example of this. The Selizharovsk Branch of the Agroprombank, Kalinin Oblast declared the Rebirth Kolkhoz to be

bankrupt. This farm owed the bank more than 3 million rubles. But, you know, this kolkhoz has all the conditions for highly efficient operation: it is located right next to a city; its soils are just about the best in the rayon; it has irrigated meadows, haylots in Volga bottomland, and splendid, asphalt-paved roads. The neighboring farms look with envy at the Rebirth: they would like to have such conditions. However, the neighbors operate at a profit, while the Rebirth is bankrupt. Outlays on wages exceed the gross income by a factor of 1.5, while production costs are higher than ever. Nevertheless, neither the oblast- nor rayon-organizations reacted in any way to the measures adopted by the bank.

Nor is the situation any better at the Nizhne-Kislyayskiy Sugar Mill, Voronezh Oblast, which was likewise declared to be insolvent. Instead of the planned profit of 5.1 million rubles, this plant last year suffered losses amounting to half a million rubles. Why did this occur? Because of a lack of improvement in its engineering technology, the plant loses an enormous amount of sugar. Furthermore, the equipment stood idle for a long period of time because of poorly conducted capital repairs.

In this case too the higher-ranking organizations did not react in any way; they failed to organize any effective aid to the enterprise in modernizing production and converting it to the new forms of economic management. Why not give this mill over to the collective to lease? Why not organize a cooperative enterprise on its physical base? But, instead of doing this, the Voronezh Oblast Agro-Industrial Committee showed much favor to the collective and gave it 900,000 rubles for wages.

[V. Virkunen] One of the most important ways to restructure economic relations in the agro-industrial complex is to develop leases and cooperatives in the rural areas. What place can the Agroprombank occupy in this process?

[N.P. Likhachev] Leaseholders need favorable financial conditions. Therefore, our bank branches have begun to enter into direct credit and account ties with lease-type collectives, family-type, peasant farms, and even with individual leaseholders, not to mention cooperatives, with regard to producing agricultural output.

Life has shown that leaseholders and rural cooperatives need help from the bank's economists. Therefore, we seek out ways to be accessible to them. The following experiment is being conducted in one of the rayons of Chita Oblast: at the wishes of the leaseholders (they are termed "primary cooperative members" there), at every farm branches of the Agroprombank have been opened, whose economists handle their personal accounts, inter-farm accounts, and determine incomes and expenditures.

At present we are working out the feasibility of opening up bank branch offices at kolkhozes and sovkhozes; they would serve leaseholders directly in the localities: they would advise them and accept documents for accounts.

[V. Virkunen] In order to develop enterprises of the agro-industrial complex, leaseholders and cooperatives need more credit resources. Where can they get them?

[N.P. Likhachev] In order to provide the agro-industrial complex with credits, we need considerable efforts and the maximum mobilization of financial resources. We do have such possibilities. All we need to do is find them and skilfully utilize them. First of all, we need to attract the savings of the rural population. Until recent times this reserve has remained practically unused.

At present in many regions of the republic, especially in Belgorod and Moscow Oblasts, as well as Stavropol Kray, people are proceeding to use the funds of kolkhoz members, sovkhoz workers, and workers at industrial-type enterprises in the form of shares for financing expenditures on building housing, children's preschool institutions, and other social and cultural facilities, as well as intra-farm roads.

Large sums can be freed up if we stopped building secondary projects.

I'm convinced that banks must make a timely inventory of the presently credited construction projects, determine the priorities, and immediately removing from crediting those which do not give promise of payback within the next 2-3 years.

And the banks here must play a leading role and not submit to any kinds of administrative pressure. Otherwise it will be impossible to solve the problem of restoring the economy's basic health and blocking inflationary pressures.

[V. Virkunen] Thank you for granting the interview.

**Economist Discusses Inflation**  
18240150 Moscow SELSKAYA ZHIZN in Russian  
16 Apr 89 p 3

[Article by V. Virkunen, economist: "What Is Inflation?"; first three paragraphs are SELSKAYA ZHIZN introduction]

[Text] I often encounter the word "inflation" in newspapers, on the radio, and on television. What does it mean?

V. Sotnikov, village of Yarlukovo, Gryazinskiy Rayon, Lipetsk Oblast.

Economist V. Virkunen explains below.

Inflation is a process whereby money becomes devalued. It manifests itself in the over-filling of the channels of monetary circulation, in the forming of an excess amount of the money supply which cannot be "covered" by commodities. Inflation is a means to which a state has recourse when state expenditures increase to extreme amounts (during wars, postwar devastation, an arms race, or other major expenditures of a state budget). In other words, it purchases manpower by using devalued money. With the aid of inflation, the process occurs of redistributing the national income in favor of certain classes or sectors. Inflation allows the consumer funds to be reduced as much as possible.

The disproportion or imbalance between the money supply and the amount of goods leads, under the conditions of a market economy, to a sharp rise in prices on consumer goods and prices. Under the conditions of a planned economy and strict state controls on items in basic, everyday demand, the shortage of goods is not accompanied by a rise in prices, and this leads to empty shelves in retail trade. Nevertheless, even under such an administrative restraint, there is a hidden rise in prices, which manifests itself in the market and in black-market dealings.

Success in the struggle against inflation lies in reducing state expenditures. Under our country's conditions, this means cutting back on military expenditures, limiting the space programs, reducing the number of so-called "construction projects of the century," and reducing the administrative apparatus. The funds thereby freed up must be channeled into creating the capacities for producing consumer goods, as well as increasing their import.

## REGIONAL DEVELOPMENT

### Problems in Private Agricultural Efforts in Mari ASSR

**Private Plot Versus Industrial Farm**  
18240161 Moscow IZVESTIYA in Russian  
14 Apr 89 Morning Edition p 2

[Article by A. Sabirov, IZVESTIYA correspondent: "Secrets of the Mari Court: What is Hindering the Development of Personal Peasant Farms"]

[Text] This fact was like a bomb exploding in the still waters. And not only on the scale of the "Rodina" Kolkhoz. The event generated lively rumors in the Morkinskiy Rayon. And indeed throughout the entire Mari ASSR. Why? The kolkhoz workers elected Yuriy Nikitich Alekseyev their chairman for a second time. There are many who remember how he was expelled from the party and put on trial 3 years ago. It was a noisy, "show" trial that was widely reported in the local press. Attention is once again riveted on it, but this time the

discussion is not of criminality but rather of the peasant's right to independence, to business initiative, to consciously opt for the new forms of management.

Life does not stand still. Three years of social development is a considerable period for our time. And I think to myself: obviously the time has come to make the transition from the general interpretation of the events that have brought us to stagnation to the analysis of the reasons why we are now moving at a slower pace than we would like. After all, the ideology of stagnation is strong not in itself but by virtue of the number of its bearers. The time to count them has obviously arrived. For recognition purposes, let us take one criterion—the trial. In the given instance—the Alekseyev trial.

"Where is this sensible peasant to be found? It seems they are now offering him land—there you are, esteemed one, please take it. But he is not as yet very excited"—I heard plenty of complaints of this type at the oblast party committee and in other of the autonomous republic's high institutions.

It is true that the local farmers are still not inclined appreciably in the direction of the lease. What is behind this?"

When Yu. Alekseyev arrived in the village of Bolshiye Shali, the "Rodina" Kolhoz was, like many others here, operating at a loss. Things went just like in a movie script: an energetic chairman shows the way to get things done and by the following spring the till is filled with profits. The kolkhoz started building. The streets were blacktopped. Anyone who understands will say: an intelligent organizer is half of the success. The interest of the people is the other half. Wherein does it consist?

The villagers told me: "We believed the chairman when he started helping families to keep cows, pigs, sheep, geese, ducks, and chickens.

In 1985, 246 head of fattened cattle and 190 fattened pigs were received from the population. You understand that here, too, the additional income to peasant families and to the kolkhoz is a help in fulfilling the plan. Thus there was a combination of personal and public interests.

Here it is appropriate to note that village dwellers have many bitter memories connected specifically with the personal farm. The *Short Course* brainwashed several generations with the dogma that the slightest degree of property ownership by the peasant presented the sinister menace of the petty bourgeois demoralization and undermining of the fundamentals of socialism in the countryside. And this generated in the entirely innocent producer of our daily bread such an enduring sensation of the hopelessness of working one's own farm that a situation developed where he truly had "nothing to lose."

But as you see, Alekseyev had a broader understanding of life than the *Short Course* and did his utmost to support the personal plot. How can a person feel that he is the master if he is not allowed to stand on his own two feet. Such an approach not only had a real impact on the results of the kolkhoz's development, but also impressed public opinion.

The informed reader has already probably realized the remarkable possibilities that have matured on this kolkhoz for the use of the new methods of management, especially because cost accounting elements have been tested in all subdivisions and cost control checks have been instituted. It would seem that personal farms should be integrated still more closely with collective farms. A strong personal plot, for example, makes it possible to create a network of family farms, to secure the gradual transition of the kolkhoz to the family contract and subsequently to lease and cooperative relations. After all, there is one root: the peasant family.

However, everything turned out differently. A. Mikhaylova, a milkmaid on the Shalinskaya farm; and a deputy of the USSR Supreme Soviet, relates: "At the behest of the party obkom, Sabantsev, the first secretary of the raykom, attended a meeting of the kolkhoz workers on 2 July 1986. As far as he was concerned, the most important point on the agenda was the question of removing our chairman from his post. The threat was circulated that Alekseyev might otherwise be called into court. The kolkhoz workers left the hall so that they would not have to vote. However, rayon militia chief Polyanin compelled 50 of the almost 200 to return to the club. Thus was the voting conducted and a decision was supposedly reached. If this had not taken place before my very eyes, I would not have believed that such a thing was possible since the advent of perestroika.

The mention of court was not a hollow threat. The republic procuracy took the initiative into its own hands and immediately called upon the Presidium of the Mari ASSR Supreme Soviet to institute criminal proceedings against deputy Yu. Alekseyev; the presidium acquiesced.

But what "terrible crime" had the chairman committed? It was this: the bullocks and pigs that were purchased from the kolkhoz workers in the fall of 1985 were shipped as transit cargo to the meat combine in violation of the instructions; the investigators believed that the kolkhoz had illegally included 64 tons of meat in the plan. The directives of the Central Statistical Administration, the USSR Ministry of Agriculture, and the USSR Ministry of Procurement were clearly violated.

It would have made no sense whatever to transfer livestock fattened on personal plots for grow-out [*dorash-chivaniye*] because the weight of bulls and cows exceeded the highest standard—400 kilograms, while boars and sows weighed more than a quintal. To maintain the livestock on the kolkhoz for 2 months as the instructions demanded would have meant nothing but losses.

"Can it be that competent specialists could not understand such obvious things?" the reader will ask. Of course they could but they did not want to. The logic of the compiler of the statistics was closer to them: if the meat had mooed for a couple of months behind the kolkhoz fence, it would have counted as having been produced on a "large industrial farm," which would have been an obvious evidence of its advantage over the personal farm. Life, I repeat, simply did not fit within the framework of the *Short Course*. It was driven backward. Everything that did not fit the framework of the *Short Course* was administratively cut off. The procuracy of the autonomous republic did its utmost. The criminal case was dragged through the rayon people's court. But it suffered a blowout in the Supreme Court. Was it perhaps just to dampen a person's reputation in some way? The criminal case was dismissed initially "as a result of the change in the situation" and then "in connection with the amnesty." And only in 1988 was it dismissed for lack of proof, i. e., he was rehabilitated. The decree calling for the initiation of criminal proceedings against the deputy was rescinded. It was "suddenly" found that former procurator I. Kustov had misinformed the Presidium of the Mari ASSR Supreme Soviet.

But all this is now, at a time when there is certainty that *perestroyka* is irreversible. But then, at the beginning? How many times have I heard people say in their offices here: "In Moscow, they make a lot of noise and then everything is forgotten. But we are the bosses here." After all, things reached a point where neither the kolkhoz primary party organization nor the party raykom expelled Alekseyev from the ranks of the CPSU. He was given the honor of being expelled immediately at a sitting of the bureau of the oblast committee of the CPSU. This shows the importance that the local leadership attached to this case. They are not interested in the opinion of any kolkhoz workers.

A. Mikhaylova, deputy of the USSR Supreme Soviet, also testifies: "I tried to approach G. Posibeyev, the obkom first secretary, personally. I had a letter signed by 200 kolkhoz workers in defense of the chairman. But there was no talk with him. Nor was there any reply forthcoming. Thereafter I was part of a whole delegation of countrymen who went to Moscow to seek justice at the CPSU Central Committee. This time the letter was signed by 400 persons. We were promised that there would be a telephone call to Yoshkar-Ola. But the kolkhoz workers were not mollified.

It would be naive to think that the first secretary of the party obkom had some personal score to settle with the kolkhoz chairman. Naturally there was nothing of the sort. But there was a fundamental difference between them in theoretical approaches to the solution of the food problem. And in such a dispute, the one who is right is the one who has the more rights. Alekseyev was removed for the edification of others. And they continuously recalled his fate. In the middle of September 1987, the first secretary declared at a plenum of the party

obkom devoted to the restructuring of the economy: "Some kolkhoz and specialist leaders and specialists, instead of performing real work on the intensification of social animal husbandry continue to fulfill plans for the sale of meat and milk to the state by purchasing them from the population." The result of this "vicious practice," as the speaker expressed it, "was that there was a decline in the number of livestock born, an increase in cattle plague, and a reduction in the number of head of livestock."

Is everything hunky-dory? Let us look at the statistics. What secrets of the Mari court will they reveal in the literal sense? In 1987, the personal subsidiary farms curtailed their cattle population by 6 percent, or more than 1400 head, and reduced their swine population by 8 percent.

In 1988, the number of personal heifers declined by 1300 head. This winter the situation was complicated even more—no one helped the people to lay up a store of feed. If the situation continues in the same way, the population will not be left with any livestock whatsoever. Thus in every courtyard it will be necessary to try to find those guilty of the collapse of the social farm—at the personal level or perhaps higher. At the level where they do not want to reckon with the fact that private plots, which occupy only 5.5 percent of the farm land, account for 25 percent of the meat and 31 percent of the milk produced in the Mari ASSR. Or is this beef so "petty bourgeois" that it is not worthy of being eaten by the working people?

It is time to present the general reckoning to the organizers of the Alekseyev case.

"For 3 years, the 'Rodina' Kolkhoz has been standing still," Shalinskiy Village Soviet Chairman V. Aleksandrova says sadly. "The number of head of personally owned livestock declined following the removal of Alekseyev and has not been restored. Even though scores of our population centers are filled with people desiring to keep livestock. But there is a need for hayfields, for feed, for healthy young livestock and not some half-dead piglets. What is there to say if we are even having straw hauled in from another oblast? It's simply shameful!"

It can be said for sure that the shortfall in meat and milk during the 3 years following Yuriy Nikitich's removal amounted to hundreds of tons of meat and milk. Who benefits from this. You, the reader? I doubt it. Stubborn dogmatists who think that it is better to keep the people in poverty rather than to depart from the principles that pronounced sentence on even the tiniest family farm almost 6 decades ago? This is also unlikely. But here is an interesting point: when Yu. Alekseyev was reinstated in the party (where can you go?), the obkom bureau asked him whether he now admitted his mistake? Did he make a mistake?

Having defended their chairman, the kolkhoz workers made an important step in the direction of restoring justice. One would think that it will ultimately triumph entirely. After all, the last period has not yet been placed in this "illustrative" history. Even though the persecutors of kolkhoz chairman Yu. Alekseyev were forced to repudiate their absurd accusations and he was reinstated in all his rights, there has still been no public apology to him. Common sense suggests that the highest officials have the obligation to do this. Not in a private talk but at a session of the autonomous republic's Supreme Soviet. And it should be published in Russian and non-Russian newspapers. After all, he is a people's deputy!

There was considerable support expressed in support of the rural private plot at the March (1989) Plenum of the CPSU Central Committee. The problem is now to see to it that the party's decisions are consistently implemented in order to actually strengthen the peasant family farm as the primary basis of rural life. What kind of measures are these? My last discussion of them was with Yurii Nikitich Alekskeyev, chairman of the "Rodina" Kolkhoz; deputy to the Mari ASSR Supreme Soviet.

He believes first of all that the time has come to remove all restrictions on the development of personal household plots. If a villager so desires, he should be allotted additional land. And has the time not come to legislatively recognize the personal plot as a work place and to count [time worked on it] toward seniority? It would not be a bad thing to extend pension security, social insurance, credit, taxation, subsidies, and other rights and guarantees operative on kolkhozes to producers on personal household plots. In a word, the time has come to fully realize the Plenum's idea of the equality of all forms of property and their integration because without the right of choice, the peasant is not a peasant, but a rootless tumbleweed.

Otherwise there is something to debate about.

**Assistance to Private Plot Owners Described**  
18240161 Moscow SELSKAYA ZHIZN in Russian  
21 Apr 89 p 2

[Article by L. Orehkova, economist on the "Mikhaylovskiy" Sovkhoz, Sovetskiy rayon, Mari ASSR: "Facing the Personal Household Plot"]

[Text] They usually meet toward evening, at the end of the working day. Vladimir Tolbakov drives a 30-horse-power tractor from Czechoslovakia; Vasiliy Balabayev drives a horse-drawn cart. One of them is going after feed for the livestock. The other is concerned with equipment for the apiary: the beekeepers' busiest time of year is approaching. The mechanism and the horse are not leased from the sovkhoz by our fellow villagers but are their personal property. There is nothing extraordinary about this. You can carry feed for a dozen chickens in a backpack, but feed for a barnyard full of animals?

Last year, Vasiliy Balabayev, for example, sold 750 kilograms of port, 250 kilograms of beef, and 2.5 tons of potatoes to the sovkhoz and the procurement office. He now has a cow, a calf, four gilts, sheep, and poultry on his personal plot. You can't feed all these livestock with a forkful of hay and a bucket of bran. So it was that Vasiliy acquired a filly that has already born him two foals. The father is helped by five children ranging in age from 14 to 24 years. A strong farm!

Vladimir Tolbakov, on the other hand, favors small-scale mechanization of the personal plot. When the opportunity presented itself, he acquired a tractor. He has plans for creating a minifarm and for keeping 2 cows and 60 pigs.

"I have decided to build," Vladimir explains, "so that my daughters (he has three daughters) would have pleasant, spacious rooms in the new house. The savings bank has promised a loan but I am tired of getting into debt. As long as my strength and age permit, I can earn for the building materials myself."

The sovkhoz is meeting the builder halfway. It has allotted him a place for his farm and has parceled out the cultivated land. We know that the state will profit greatly in the form of additional meat.

There are not a few strong farms in our Mikhaylovka. Of course, not all of them have draught animals but a large cowshed requires a great deal of care. An answer was found on the sovkhoz. A specialized cooperative was set up and was named the "fifth shop." Why fifth? There are already four cooperatives in operation on the farm: crop production, animal husbandry, mechanization and electrification, and housing and municipal services. The "fifth shop" assumed responsibility for the comprehensive servicing of the villagers' personal household plots.

"Let us say that I need two quintals of straw on my plot," explains pensioner Vasiliy Stepanovich Kalinin. "I place the order in the morning. By evening, you see the straw neatly unloaded beside the cowshed. All that remains to be done is to pay for the service by check according to the existing rates."

Checks are also a recent innovation that stimulate the procurement of meat from personal plots. For every hundred rubles for produce delivered, the deliverer has the right to receive six rubles' worth of goods and services free of charge. Is that a trifle? But some of us sell less than a ton of meat a year. The six-percent markup is a considerable help. Bearers of checks have the right to obtain feed and other equipment out of turn.

The "fifth shop" offers a wide range of services. Cooperators bring a piglet home from the sovkhozes, renovate a barn or build a new barn, and cut logs into boards. The mower, the tractor, and the truck do not stand idle. The cooperative provides plot owners with qualified veterinary service. Especially popular among villagers of late is

the supply of young poultry and stock to plot owners. This service resulted from the initiative of Mikhail Payberdin, chairman of the work collective council, and other equipment operators.

"The local breed of cows are not distinguished by a high milk yield," Mikhail once said when he came to the office. "Why not replace the heifers on the personal household plots? This will benefit both the people and the sovkhoz: after all, the extra milk will go into the common kettle.

Primapara heifers and holsteins that have given a good account of themselves on our farms were sold to the villagers without delay. The buyers paid for the livestock they bought not with money but with the milk they delivered. It is estimated that they can pay off their debt in full in 2 years. The procurement of milk has increased substantially. The quantity increases as time goes by. People do not want to have lightweight geese and ducks and poor layers on their plots. The cooperators of the "fifth shop" also undertook the solution of this problem. Not only in our autonomous republic but outside it as well, high-quality young poultry stock is being purchased for our fellow villagers. For a very moderate payment and occasionally on a barter basis, plot owners obtain promising zoned strains of seeds.

In a word, the villagers' personal household plots undergo qualitative changes. They do not merely grow and expand, but also improve visibly. The procurement of agricultural products from peasants' plots has increased and now comprises 15 percent of the meat and

up to 20 percent of the milk that is shipped to receiving points the sovkhoz. Villagers deliver tens of tons of potatoes and many quintals of onions to the procurement office.

Nevertheless the reserves of personal household plots are far from exhausted. Here are some calculations. Only 300 head of cattle and a little more than half a thousand pigs are kept on 496 plots. In talks with fellow villagers, one repeatedly hears: you get some livestock and then you suddenly have to cut back all the way. Long years of neglect of the peasant plots have engendered this mistrust. But now, to the villagers' joy, there is an end to the indeterminacy. The March Plenum of the Central Committee unequivocally affirmed the need to remove all restrictions from rural plots. What was the reaction to these decisions in the countryside? Fifteen families on our sovkhoz expressed the desire to erect good quality houses with spacious outbuildings where there is enough room, livestock, and poultry. A new cooperative with the symbolic name "Call of the Land" is being created.

I recall the words of the hereditary peasant: father Vasiliy Balabayev. It cannot be, said Nikolay Stepanovich, that people will not turn their faces to the village dweller. After all, we feed the nation.

And such a time has come.

Of course, there are still numerous problems. For example, the situation with the supply of construction materials is extremely adverse and material-technical supply remains weak. The sovkhoz frequently has to pay penalties because of the impossibility of fulfilling the terms of contracts with lessees and families producing on a contract basis. But now there is the certainty that these difficulties are surmountable.

## POLICY, ORGANIZATION

### Gosstroy Chairman on Unfinished Construction Projects

18210014 Moscow *PRAVDA* in Russian  
29 May 89 Second Edition p 4

[Reply to reader's letter by Yu. Batalin, chairman, USSR Gosstroy: "Reader Answered"]

[Text] Today we are publishing a reply to a reader's question which was asked on 5 May. The replies by officials of whom our readers asked questions on Friday, 19 May, have been received and will be published in the very near future.

#### From Yu. Batalin, chairman of USSR Gosstroy, to M. Shelukhin from Stavropol Kray.

You ask the following question: "Why does the state have a backlog?" I must reply by stating that unfinished construction, like unfinished production in other sectors, is a necessary condition of the production process. Major facilities take 4-5 years to build. However you are right in that the de facto volumes of unfinished construction in our country chronically exceed the normative levels. By the beginning of the current five-year plan they amounted to more than 10 billion rubles.

With the adoption of several fundamental measures in 1986, the capital construction was curtailed somewhat, and the "backlog" was reduced by 2 billion rubles by the end of 1987. This was achieved basically by planning-and-administrative measures, including a directed temporary shutdown of construction projects. In 1988, however, with the conversion of enterprises to cost accounting and self-financing and with the expansion of the rights of the local Soviets, there was a sharp increase in their possibilities for capital construction. Capital investments using the enterprises' own funds grew from 1.6 billion rubles in 1985 to 72 billion rubles in 1988. But an economic regulation of the effective, on-schedule utilization of such investments has not been worked out. And construction by means of one's own funds, in accordance with the Law on State Enterprises, was included in the plan for contractual operations in the top-priority procedure. In the above-indicated new construction alone the growth of the above-normative "backlog" amounted to 3.5 billion rubles. Furthermore, by the time the plan for 1988 was being formulated, a number of major programs had been developed, and they provided for many new construction projects.

All this also led to a considerable increase in 1988 of the construction front, which was not balanced with the possibilities of machine building to deliver equipment to the enterprises under construction. As a result, above-normative construction increased to 13 billion rubles. Taking into account the fact that 17 billion rubles were

channeled into new construction projects in 1988, it can be imagined that, if they had not been started, there would not be an above-normative "backlog."

Under the new conditions of economic management, along with the improvements in the plan methods of administering investments, of particular importance are the economic forms of regulating capital investments. At the present time USSR Gosstroy, together with USSR Gosplan and other interested departments, labor collectives, and scientific organizations, have worked out proposals aimed at preventing the over-extension of capital investments, curtailing unfinished construction production and the time periods required for construction, increasing the motivation and responsibility of all participants in the investment process and in the effective utilization of capital investments. In particular, provisions have been made to convert from a non-reimbursing type of budget financing to long-term crediting, the introduction of a tax on capital investments being made by means of the enterprises' and organizations' own funds, and a tightening up of the penalty fines for violating the deadlines with regard to putting such investments into operation.

## HOUSING CONSTRUCTION

### Gosplan Aide on Solving Housing Construction Problem

18210013 Moscow *PLANOVYE KHOZYAYSTVO* in Russian No 4, Apr 89 p 31-40

[Article by D. Khodzhayev, deputy section chief, USSR Gosplan: "How the Housing Problem Is Being Solved"]

[Text] The social reorientation of the Soviet economy, as outlined by the 27th CPSU Congress, is directed primarily at solving the housing problem—to provide virtually every Soviet family with a separate apartment or a private home by the year 2000.

It is precisely this specificity and clarity of purpose which have increased the responsibility and complexity of working out planning solutions. At one time decisions were made to introduce as much as 400 million sq m by the year 1980. But, in fact, during 1980 105 million sq m were introduced, i.e., 4.6 million sq m less than during 1960.

And so as not to allow a repetition of this sad experience, we must make a thorough and detailed analysis of where and in what miscalculations were allowed to occur. We must introduce clarity and ensure a uniform interpretation of the assigned goal—"One Apartment—one family," for it is also on this, to a great extent, that the working out of appropriate planning solutions depends.

The accelerated development of housing construction in this country began in 1956. Over a 30-year period housing was built with a total area of 3.1 billion sq m,

which is more than triple the volume of housing construction during the preceding years (1918-1955). In this 30-year period we can single out two 15-year phases which are essentially distinct from each other. Their general characteristics may be seen from the table presented below.

Indicator	1956-1970	1971-1985
Total area of new housing put into service, millions of sq m	1,483.2	1,624.3
Subtotal funded by prospective residents (private and cooperative housing construction), mil. sq m	635.8	385.3
as a percentage of the total	42.9	23.7
Total residences put into service, millions of units	34.18	31.49
Average area per constructed residence, sq m	43.4	51.6
Average area provided for urban inhabitants at beginning and end of the period (sq m per resident)	7.4-11.1	11.1-14.1
Number of persons who improved their housing conditions, millions	163.5	157.1

The first phase was characterized by a combination of extremely progressive and patently negative tendencies. On the one hand, the volume of housing put into service was doubled (by means of introducing standardized planning and industrial methods for building completed prefabricated apartment houses from components made at plants, basically large panels). On the other hand, requirements were cut back as much as possible with regard to the quality of planning and finishing apartments and the external finishing of the house. In pursuit of reducing costs, the auxiliary areas—kitchens, entry-ways, staircases—were squeezed into as small a space as possible, and sanitary units were combined. Only five-story apartment houses were built without elevators, trash-disposal units, balconies, or loggias, as well as with poor-quality soundproofing and heat insulation. The wind blew through the panel joints, and the inhabitants became very cold, i.e., the houses were structurally unreliable, and after only a few years of service, they had to be renovated.

The next 15-year period (1971-1985) was marked by a gradual improvement in the quality of planning, finishing, and outfitting the apartments and the external appearance of the houses. Apartments became more suitable for living, and the space of the auxiliary areas was substantially increased. Buildings of various types began to be constructed on the basis of block-sections and a standardized catalogue of industrial-type items.

At the same time, the grow rate of housing construction during this period fell off sharply; its volumes stabilized

at the level of 105-110 million sq m of total space annually with a withdrawal of 20-25 million sq m a year. The annual assignments for putting apartment houses into service remained unfulfilled regularly. For each five-year plan on an average the amount of housing guaranteed to the population increased by merely one sq. m of space.

And right up to the 12th Five-Year Plan and until the 27th CPSU Congress no real prospects were seen for solving the housing problem.

But just what lessons should be drawn from the experience of planning housing construction and from implementing these plans in the upcoming phases?

The first of these stems directly from the decisions of the 27th CPSU Congress concerning the need to intensify the social thrust in developing the country, to overcome the "leftover" approach to allocating financial and material resources to develop the material base of the social sphere, and, in particular, for housing construction.

From the 6th to the 11th five-year plans the proportion of capital investments earmarked for the construction of non-production facilities and, in particular, for housing construction, despite the increase in their absolute amounts from 67.3 to 228.4 billion rubles, was reduced from 35 percent of the total capital investments to 27.1 percent, including a reduction from 23.5 percent to 15.1 percent for housing construction.

The second serious lesson requiring revision of the housing policy being carried out until recently is that, as experience has shown, it is impossible to solve the housing problem by means of state capital investments, funds from public organizations and kolkhozes without the broadest possible involvement on a voluntary basis of funds from the population for improving their own housing conditions.

Over the course of 50 years the proportion of the population's funds invested in housing construction steadily declined (from 40 percent in the prewar period to 12.5 percent during the 11th Five-Year Plan). It is precisely for this reason that for the last 30 years the total volume of housing construction has almost not increased. The considerable growth of housing put into service built by means of state funds has practically only made up for just considerable a decline in the introduction of housing being built by means of the population's funds.

As a result, no matter how paradoxical it may seem, in the USSR, where the proportion of state funds being channeled into housing construction is significantly greater than in any other country in the world, we have the lowest indicators among the developed countries for the average provision of housing to the population. Thus, if in 1987 for every urban inhabitant in the USSR

an average of 14.5 sq m of total space was assigned, in Romania this figure was 17.3, in Poland 18, Bulgaria 18.8, Hungary 19.6, Czechoslovakia 23.6, and the GDR 26 sq m.

The principal thrust for involving the population's funds in solving the housing problem is private housing construction. In 1988 the available private housing in the country amounted to 1,720 million sq m, or about 40 percent of the entire housing stocks. However, the introduction of private houses was reduced from 53.8 sq m in 1960 to 16.3 sq m in 1985, and its proportion within the total amount of housing introduced declined from 49 to 14.4 percent. For the sake of comparison, let's note that in Hungary and Bulgaria, for example, the proportion of private housing construction amounts to 50-60 percent.

The decline in the amounts of private housing construction was connected, to a large extent, with the line being promulgated during that period aimed at curtailing private auxiliary farms, as well as eliminating the so-called villages with poor prospects and building up the rural areas with multi-story apartment houses. As a result, this led to an undermining not only of the foundation of village life—a family's connection with its land, but also its motivated interest in building a private home.

A negative role was also played by the numerous bureaucratic prohibitions and restrictions, as well as the difficulties in obtaining and delivering building materials, the shortages of credit, which right up until 1987 was allotted in the amount of 3,000 rubles, a sum which constituted no more than 10-20 percent of the actual cost of building a house.

Beginning in 1981, certain measures were adopted which were aimed at developing private construction, but they turned out to be clearly insufficient, and nor radical turning-point occurred.

Also developing with insufficient vigor was cooperative housing construction; it had been unleashed in our country in the mid-1960's, and right up to the 12th Five-Year Plan it had virtually not increased. Its proportion within the total volume of housing construction in the USSR is several times lower than in the other CEMA member-countries. In Bulgaria it amounts to 25 percent, the GDR 28, Poland 47, and Czechoslovakia 51 percent. Since 1962 the plan for putting houses built by the ZhSK [home-building combines] has not been fulfilled even once. As a result, more than 30 million sq m of total area has been lost. Meanwhile, the number of families desiring to join cooperatives comprises more than 1.5 million.

All of this attests to the imperfection of the evolved forms of cooperative housing construction, the shortcomings in the system of its planning, financing, and implementation.

During the course of restructuring the system for administering the economy it has become evident that, in order to solve the housing problem, we need radical changes in the sources of financing housing construction, along with a search for economic methods and organizational forms for a more extensive involvement, on a voluntary basis, of funds from the population to improve their own housing conditions. With these goals in mind, in 1988, with the active participation of USSR Gosplan, the government prepared and adopted three decrees which are extremely important for implementing the housing policy. Thus, in the decree on private housing construction it was recognized that this must be given top priority as a sociopolitical problem to be solved. USSR Gosplan, USSR Gosstroy, and the Councils of Ministers of the union republics were assigned the tasks of providing for the expansion during the years 1991-1995 of private housing construction for the country as a whole up to the amount of 200 million sq m of total area, including at least as much as 60 million sq m in 1995. All unjustified restrictions have been done away with, the amount of credit has been increased up to a maximum limit of 20,000 rubles with a repayment schedule extending for 25 years in urban localities and 50 years in rural areas. It is recommended that enterprises and organizations conclude agreements with their employees to pay back from 10 to 50 percent (depending upon the prior length of service) of the credit indebtedness, and other measures have been provided for aimed at expanding private housing construction.

The year just elapsed has shown that even during this brief period the measures which were adopted have facilitated the acceleration of private housing construction. For the first time in recent years the annual plan for putting private houses into service has been fulfilled (by 102 percent). The proportion of private housing construction within the total volume of housing put into service increased to 16.2 percent, as compared to 14.7 percent in 1987 and 14.2 percent in 1985. The growth rate of private housing construction amounted to 8.5 percent in 1988. However, it is still insufficient to reach by 1995 the introduction of a total area of private houses of at least 60 million sq m, or to triple it. For this goal, we must ensure an average annual growth rate of 14-15 percent.

At the same time we must take into account the fact that the elimination of restrictions and the introduction of additional privileges for crediting and paying the cost of the private houses cannot yet in the course of a single year be reflected in increasing the introduction of such houses, and basically these measures have facilitated the increase of construction starts and for introduction into service during future years.

We have discovered the principal reason for the blockage of the accelerated development of private housing construction—the shortage of building materials in the market. In 1988 the delivery to the market of commercial timber amounted to 86 percent of the plan and less

than 60 of the amount ordered by the USSR Ministry of Trade. Lumber amounted to 64 percent, complete sets of wooden components—80 percent, and cement—92 percent. The situation with regard to the production and sale of brick and other local building materials differs as to specific republics and rayons, but, with rare exceptions, these are also materials in short supply.

Under the new conditions of economic management USSR Gosplan can influence the growth of volumes of private housing construction just by economic methods, in particular, by increasing the stocks of building materials for sale to the population. Moreover, the principal path for overcoming this deficit is to be seen in stepping up the production of local and other building materials in the republics, krays, and oblasts for their own needs, including sale to the public.

In the year just past there were likewise certain difficulties with granting credits for private housing construction, the demand for which during a single year grew several times over. This problem will be solved in the course of implementing the general measures for restoring the financial health of the economy, which, to a considerable extent, must also assist in drawing more of the people's funds into housing construction.

Private housing construction grew at a particularly high rate (by 26-46 percent) during a single year) in the Kazakh SSR and the Central Asian republics, where the average provision of housing to the population is lowest. It is frequently the case here that urban inhabitants give up or rent out their state apartments in multi-story apartment houses, preferring to build their own private home with a plot by means of their own funds and according to their own tastes.

The decree of the CPSU Central Committee and the USSR Council of Ministers on housing cooperatives has recognized the necessity of substantially enhancing their role as one of the principal trends in expanding housing construction. It has provided for the development of a fundamentally new form of housing cooperative—the sale to housing cooperatives of houses which have been built, modernized, or renovated by means of state, centralized capital investments and the social-development funds of enterprises, associations, and organizations.

Within this form of housing cooperative, additional privileges have been established for the members of the housing cooperatives as follows: the amount of the initial dues is reduced from 30 to 25 percent, on the entire sum of the dues the member of the housing cooperative can obtain credit from the USSR Savings Bank in an amount ranging up to 5,000 rubles with a repayment stretching over a period of 10 years. The remaining cost of the house is paid out by the cooperative over the course of 25 years. Moreover, enterprises, associations, organizations, and ispolkoms of the local Soviets of People's Deputies are granted credits amounting to as much as 50

percent of the estimated cost of the houses intended for sale to the housing cooperatives. The funds from the sale of houses to the housing cooperatives will be returned to the social development funds or to the local budget and are included in the volume of paid services rendered to the population by the enterprise, association, or ispolkom of the local Soviet.

In large cities, where the service of a single customer functions well, the old form used by housing-construction cooperatives to build houses can also develop successfully. Of interest, for example, is the experience of Minsk, where the building of houses by ZhSK's comprises 25-30 percent of the total introduction of housing in this city. Here by way of an experiment the bank credit amounting to 10 percent of the cost of a house is being granted to a single customer—the capital construction administration of the gorispolkom, which maintains accounts with the bank and conveys to the home-building cooperatives the finished houses, after receiving from the the total of the initial down payment and the reformulation to the cooperative of the obligation to pay back the remaining portion of the estimated cost of the house.

In contrast to private housing construction, which is conducted by the efforts of the builders themselves, who obtain the materials in the market at retail prices, cooperative houses are built by contractual building organizations by means of material resources distributed and paid for at wholesale prices. Therefore, the indicators with regard to their being put into service and put up for sale to housing cooperatives building houses constructed by means of state, centralized capital investments and assets from funds of enterprises, associations, and organizations can, on the basis of proposals coming from below from enterprises, the ispolkoms of the local Soviets of People's Deputies, Councils of Ministers of the union republics, USSR ministries and departments, shall be included in the state plan and furnished to the customers and contractors within the state order, as has already been implemented in the plan for 1989. Calculations have shown that in the 13th Five-Year Plan we must double the volume of cooperative housing construction, while during the 14th Five-Year Plan we must triple it.

The decree on selling to citizens as their personal property apartments belonging to the state and public housing stocks is important for balancing the budget, and it is also directed at solving the housing problem. There will be no violation of social justice here, since what we are talking about are not apartments in newly built apartment houses, but rather those which are distributed in sequence. Unoccupied apartments will be sold in apartment houses in need of repair or renovation. Moreover, they will be sold, first of all, to those on a waiting list, military servicemen, persons who have been laid off and placed on reserve or retired, persons who have worked for at least 10 years in the regions of the Far North, and to other citizens enjoying the right of high-priority granting of housing.

Only a brief amount of time has elapsed since the decree was issued concerning the sale of apartments as personal property; the appropriate statutes have not yet been approved in this republic, but we already have the initial results. In the Kazakh SSR local Soviets have sold more than 700 low-rise houses. In the Latvian SSR approximately 2,500 basically small houses with one or a few apartments have been put up or proposed for sale, etc.

On the whole, our housing policy must address itself to private and cooperative housing construction, it must psychologically restructure itself and the entire population, and it must understand that the construction of private and cooperative houses is not only a private matter but also a state affair.

Of particular economic and social importance under the conditions of perestroika, the administrative reform, and the introduction of cost-accounting principles in the economy is the new approach to the housing policy: if until recently housing in our country was primarily distributed outside of any direct dependence upon work results of the labor collective or that of an individual employee, nowadays it should be basically earned in accordance with one's labor contribution. In line with this, during a brief period of time there was a radical change, literally before our eyes, in the correlation between the volume of housing construction being carried out by means of state, centralized capital investments, on the one hand, and by means of assets from the funds for social development of enterprises and organizations, on the other hand. Thus, if in 1986, by means of state, centralized capital investments, 82.9 million sq m of total space were introduced, in 1989 the plan figures for these categories were 43.7 and 47.1 million sq m respectively.

This progressive shift in the structure of sources of financing housing construction has confronted planning with serious problems. And here is why. The indicators for introducing housing by means of state, centralized capital investments can be provided for in the plan and included within the body of the state order. But the volume of assets being channeled into housing from the social-development funds, in accordance with the Law on State Enterprises (Associations) and depending upon the results of an enterprise's economic activity over the course of a year, can change, including by means of channeling into housing construction capital investments previously earmarked for building production-type facilities.

At the same time it is precisely the construction of housing and other facilities in the social sphere by means of the social-development funds, being carried out by the contractual or economic methods, must, in a high-priority procedure be provided in the plan with limits on construction and installation work and on material resources. This matter is complicated by the fact that a considerable portion of the indicated assets are to be

transferred, in the plan following the procedure of shared participation, via the Councils of Ministers of the Union republics to the ispolkoms of the local Soviets of People's Deputies.

It must be acknowledged that, all too often, the assets from the social-development funds to be channeled into housing construction are not actually implemented, especially at modest-sized enterprises which do not have the economic method of construction. Instances whereby local Soviets of People's Deputies have returned assets transferred to them by enterprises and organizations within the procedure of shared participation in housing construction. Furthermore, even at large enterprises, which carry on housing construction by the economic method, despite the decisions adopted by USSR Gosplan and USSR Gossnab concerning the high-priority provision of these construction projects with material and technical resources, quite a few difficulties have arisen, particularly in the delivery of lumber, carpentry items, linoleum, sanitary-engineering products, gas and electric ranges, etc.

In places where enterprise funds are not used due to a shortage of manpower and basic structural components, MZhK's [young persons' housing complexes] may become a form of housing construction with good future prospects. The labor contribution made by their members allows us to increase the yield of the home-building capacities and to speed up construction even within the limited capacities of the contract organizations. MZhK's have been widely developed in hundreds of cities; they are used in the construction of modernization of housing in a complex with other social, cultural, and everyday-service facilities.

Construction by young people's complexes at times evokes dissatisfaction among a portion of the labor collectives in connection with the fact that, with this setup, for staff workers and labor veterans there is a reduction of the possibility for speeding up the improvement of their own housing conditions. Therefore, it seems feasible for the MZhK's to accept all members of the labor collectives who have expressed the desire to contribute their labor to construction, without any restriction as to age. This is already being done at many enterprises.

Under the conditions of cost accounting, serious conflicts have been caused by the practice of retaining at enterprises and organizations a portion of the housing space built by means of assets transferred to the local Soviets within the procedure of shared participation. As a result of this, certain labor collectives are left with only half of the housing, which is justifiably regarded as a direct violation of the USSR Law on State Enterprises (Associations).

On the other hand, the ispolkoms of the local Soviets of People's Deputies have also fallen into a difficult situation. Within the extreme restrictions of the local budgets,

they are obligated by the government's decisions to provide housing for invalids, the families of military servicemen who have perished, officers who have been put into the reserves or retired, and other groups of the population, as well as schoolteachers, physicians, employees in trade, everyday services, communal services, culture, etc.

It is obvious that under present-day conditions, when construction and installation work in building housing and other social facilities comprises approximately 45 percent of their total volume in the national economy, we must change the principles of planning housing construction to take into account improvement of the economic mechanism in the construction complex within republics, regions, and in the country as a whole.

In this connection, analysis of the preceding period of development in housing construction allows us to draw yet another important conclusion: if during the period when the administrative-command methods of running the economy were predominant, the extreme centralization of planning the development of the social sphere's material base led to significant disproportions and did not yield genuine results, at the present-day stage it directly contradicts the basic principles of the economic and political reforms taking place in the country, and it must be deemed utterly unacceptable.

Facilities of the social infrastructure and especially housing, by virtue of its specifics, its direct connection with human life, ought to be as diverse in form as possible in accordance with the natural-climatic conditions, tenor of life, national traditions, character and developmental level of production forces, availability of local building materials, etc.

Centralization of planning in this field, even if it proceeds, it would seem, from optimal decisions and recommendations when averaged out for the country as a whole, invariably leads in places to serious economic, social, and quite often even political costs.

To our way of thinking, this must also be taken into account in working out a scientific and technical policy for housing construction and in forming an appropriate production base for construction. Insistent introduction from above, from the center, even of the most progressive technologies, whether it be large panels, monoliths, or cellular concrete, without profoundly studying local conditions can lead to negative results in the economics as well as the architectural-engineering quality of housing construction.

It is precisely for this reason that, during the course of perestroika, decisions were consistently taken aimed at gradually transferring to the Union republics and to the localities a number of functions with regard to planning the social infrastructure. Thus, the decree of the CPSU Central Committee, Presidium of the USSR Supreme Soviet, and the USSR Council of Ministers, dated 25

July 1986 and entitled "On Measures for Further Enhancing the Role and Strengthening the Responsibility of the Soviets of People's Deputies for Accelerating Socioeconomic Development in the Light of the Decisions Made by the 27th CPSU Congress," specified that the funds for material and technical resources, limits of capital investments and construction-installation work to develop the republic-level economy (aside from the agro-industrial complex) shall be allocated for each republic as a whole, without any breakdown by sectors or lines. To be sure, retaining in the plans directive-type assignments with regard to putting housing and other social facilities into service has deprived this decision of value to a large extent.

In the decree of the CPSU Central Committee and the USSR Council of Ministers, dated 17 July 1987 and entitled "On Improving the Activity of the Republic-Level Administrative Organs," it is emphasized that the Union-republic Council of Ministers shall bear full responsibility for the status of construction and for fulfilling the plans for putting social-type facilities into service throughout the entire territory of the given republic; they were assigned a series of specific tasks with regard to developing housing and sociocultural construction.

The Councils of Ministers of the Union republics have been entrusted with the task of working out, on the basis of proposals from the local Soviet organs and coordinated with the concerned enterprises, associations, and organizations, consolidated plans for putting houses and social-type facilities into service and to approve them in coordination with the ministries and departments which were carrying out the construction and installation work. This was facilitated by the formation in all the Union republics (except for the RSFSR) of construction ministries, the transfer to the republics of the basic portion of enterprises engaged in the building-materials industry, the procedure established by USSR Gosplan for formulating in the localities proportional transfers for housing construction, etc.

However, the genuine economic independence and responsibility of the republics for solving social problems can be ensured on condition that the republic-level and local budgets are formed in accordance with the norms according to the results of the economic activity on the territory in question, including all the enterprises and organizations situated on it.

Such proposals are contained in the Draft General Principles for Restructuring the Management of the Economy and the Social Sphere in the Union republics, based on self-government and self-financing, as worked out by the USSR Council of Ministers, as considered by the CPSU Central Committee Politburo and presented for public discussion.

In the final analysis, a prospective scheme for planning housing construction in this country, to our way of thinking, should look something like the following. The volume of housing construction on the territory under the jurisdiction of the local Soviet of People's Deputies or Council of Ministers of an autonomous republic, should be composed of the total housing under construction by means of assets from the local budget and the social-development funds of enterprises, associations, and organizations, also drawing upon funds from the population and banking credit. At the republic level that volume of housing is added which is necessary to solve the overall-republic-level problems, to be financed by means of funds from the republic budget, and after coordination with the limit of the construction and installation work and the centrally planned (prior to the conversion to wholesale trade) material and technical resources for the development of the republic-level economy, is reported to USSR Gosplan for inclusion in the draft state plan.

The following question arises: **But, in that case, what will constitute the functions of the central economic organs, and, in particular, those of USSR Gosplan, with regard to planning housing?** It would be a profound error to consider that they will be engaged in a basic summing-up of republic-level plans. Nobody will remove from USSR Gosplan the responsibility of seeing to it that, for the country as a whole, the volumes of housing construction are sufficient for solving the tasks assigned by the party, for a well-founded, equitable provision of housing for cities and villages, regions, republics, sectors of the national economy, working people, and pensioners. But this will have to be achieved not by directive-type dictates but rather by economic methods—via control figures, norms, prices, taxes, privileges, etc., which is much more complex.

And, of course, the nationwide, directive-type assignments will remain in the sphere of housing construction; these problems will be solved by means of the state budget. These, for example, include the construction of housing for employees of new enterprises situated in regions being developed in the Soviet Far East and Far North, for military service personnel, as aid to republics or regions which have suffered from natural disasters or which have lagged significantly behind in developing the material base of their social spheres, etc.

In order to work out the correct direction in planning housing construction, we must, first of all, solve the problem of indicators in planning housing construction. Up to the present time the only indicator characterizing the end result has been the number of square meters of total space introduced. But, in addition to the area of the apartments themselves, it also includes the areas of dormitories, school boarding-houses, etc. Furthermore, depending upon the size and type of the apartments being built, in connection with one and the same introduction of square meters, the number of apartments being introduced changes.

It seems, therefore, that, beginning with the 13th Five-Year Plan, the principal indicator in planning housing construction must be the indicator of the number of apartments put into service in newly built or modernized apartment houses, including private houses.

As design indicators, it is feasible to retain the assignment with regard to introduction of total space; this is necessary for determining the need for material resources, as well as the indicator of vacancies to be introduced in dormitories and school boarding houses. For the years 1989-1990 the indicator of the number of apartments to be put into service is provided for in the plan as an estimate, and it will be furnished to the republics and ministries within the control figures.

The second problem consists of precisely defining the concept of "family" in the prospective planning of housing construction. In population statistics distinctions are made among the following three categories: persons living in families, separate from families, and single persons. According to the 1979 census, of the total number of the population amounting to 262.1 million persons, 232.5 million were living in families, of which there were more than 66 million. Furthermore, 13.9 million persons, although members of these families, were living separately, primarily in specialized housing (dormitories, boarding-schools, barracks, etc.). Single persons (of which there were 15.7 million according to the 1979 Census), as well as families, have the right to be granted a separate apartment. The total number of families and single persons also comprises the number of the so-called "economic nuclei," which are to be scheduled to be provided with separate housing by the year 2000. According to the forecasts made by demographers, the number of such economic nuclei by the end of the year 2000 will comprise more than 97 million, including almost 18 million single persons. The number of persons living separately from their families, which are supposed to be settled primarily in the specialized housing stocks, will amount to more than 17 million. These forecasts will be refined following the results of the 1989 Census.

The third question is as follows: **On an average, what kind of apartment or private house should the housing policy key on?** At the present time, with an average provision throughout the country (at the beginning of 1988) of 15.2 sq m of total space and 10.3 sq m of living space per person in apartments in the state housing stocks, as a rule, people are being settled according to the principle: the number of rooms is one less than the number of family members.

If by the year 2000 we succeed in raising the average provision of total space to 19-19.5 sq m, and the living space to at least 12 sq m per person, then we will have created sufficiently comfortable living conditions, and settling people in will be proceeding basically according to the principle: the number of rooms should be equal to the number of family members.

Preliminary calculations have shown the following: Taking into account the ideas set forth above, in order to provide each family with a separate apartment or house by the year 2000, we need to put 36 million apartments into service during the three five-year plan extending from 1986 to 2000; but even this will not be enough. Because, of course, we will need to upgrade the housing provisions for those families who are living in separate but crowded apartments, resettle families from decrepit houses and family-type dormitories, and provide new families with apartments.

Additional complications have arisen in connection with the lack of correspondence between the present-day structure of the housing stocks by types of apartments forecast for the population's family structure in the year 2000. Therefore, in all the Union republics programs have been worked out and approved for solving the housing problem for the period prior to the year 2000. Based on them, an appropriate mathematical model has been worked out, and, using computers, prospective calculations have been made for the USSR as a whole and for each Union republic in particular, that **during the years 1986-2000 we must put more than 39 million apartments into service**, including more than 11 million during the current five-year plan, more than 13 million during the 13th Five-Year Plan, and more than 15 million during the 14th Five-Year Plan. In order to accomplish this, we will need to build or renovate apartment houses with a total space of 2.5 billion sq m, including 650 million during the current five-year plan, 850 million during the next five-year plan, and 1 billion sq m during the 14th Five-Year Plan.

An exceptionally responsible task confronting USSR Gosplan and the Union republic Council of Ministers is the optimal distribution of the intended amounts of housing construction with respect to sources of financing, as well as fulfilling the assignments for building housing in the rural areas, as provided for in the Program for the Social Development of the Rural Areas During

the 14th Five-Year Plan and for the Peiod to the Year 2000, as provided for and approved by the March (1988) Plenum of the CPSU Central Committee.

Solution of the problem assigned by the 27th CPSU Congress depends not only on how many houses and apartments will be built before the year 2000, but also on the condition in which the existing housing stocks will be by that time. At present they exceed 4.3 billion sq m of total space.

Therefore, the capital repair and renovation of houses will be an important direction for solving the housing problem. In all, during the period from 1986 to 2000, we will have to make capital repairs on houses with a total space of more than 1.5 billion sq m.

Of increasing importance are the qualitative characteristics of the housing being put into service; this is connected not only with the increasing long service life of the buildings, the comfort and conveniences of the apartments, and improvements in the architecture of the facades and interiors. Likewise important here are such factors as providing a comprehensive build-up of residential districts and neighborhoods, overcoming the lag in building social, cultural, and everyday-service facilities and particularly communal utilities, since the non-fulfillment of plans for putting into service communal utility networks and facilities could become a brake on solving the entire housing problem.

Finally, the chief factor limiting the carrying out the task assigned by the party in the field of housing construction, as already noted, will be the development of the building materials industry and the construction industry. Top-priority and daily attention must be accorded to planning these sectors and monitoring the performance of the plans established in the work of the USSR Gosplan, USSR Gossnab, USSR Gosstroy, the Councils of Ministers of the Union republics and construction ministries.

## POLICY, ORGANIZATION

**Shatalin on Ways To Narrow Inflationary Gap**  
18270098 Moscow OGONEK in Russian  
No 17, Apr 89 pp 22-24

[Article by Academician Stanislav Shatalin: "How Should One Jump Across an Abyss?"]

[Text] The "good" year of 1988 has aggravated the situation: According to the estimates of a number of economists, the population's unsatisfied demand exceeds 70 billion rubles with an overall commodity turnover of 365.7 billion rubles; a kolkhoz trade of approximately 10 billion rubles; paid-for services of 61.8 billion rubles; a wage fund of approximately 330 billion rubles, pensions, allowances and stipends of 69.6 billion rubles in 1987; the population's monetary savings of approximately 350 billion rubles; and shadow economy products worth more than 20 billion rubles. Cooperative products were approximately four billion rubles.

The anti-alcohol campaign, which has been conducted extremely clumsily, has removed sugar from the stores and shifted billions of rubles from the state's to the moonshiners' pockets (this is nothing terrible; the money is state money and that means no one's) and the state budget has "imperceptibly" become a deficit one. The temptation not to live in accordance with one's resources is eating away at all society like rust.

What is the trouble? Is this illness, generally speaking, curable? The time has passed when, in answering such questions, it was possible to simply mimic and pretend to be a cheerful optimist for whom faith, if he believes in something at all, is higher than the truth. However, if one mentions the truth and professionally searches for the truth, it is necessary to specify all of the conditions under which a normal consumer market will begin to function—and it is necessary to show that these conditions are attainable. Practice is the best criteria for the truth.

### Arrhythmia Of Statistics

It would seem that optimism can be gained from USSR State Committee for Statistics data: The USSR gross national product grew in 1988 by five percent in comparison with 1987; produced national income—by 4.4 percent; and retail commodity turnover—by 5.4 percent.

However, I do not trust the USSR State Committee for Statistics data very much. The reasons? M. Korolev, its chairman, talks about them. "At the same time, we have not found the proper (?) use for such indicators as price indices for consumer goods and services, cost of living indices, ruble purchasing power indices, and deflators which are broadly used in the statistics of a number of countries." Why should I believe that all macroeconomic indicators, especially those concerning the population's standard of living, have been calculated in constant prices as is being done "in the statistics of a number of

countries?"<sup>2</sup> How can I believe that the volume of agricultural products in our half-starved country reached 86 percent of that of the United States in 1986; and national income in 1986—64 percent?

What have we come to when the USSR State Committee for Statistics chairman quotes U. S. Central Intelligence Agency data in his critique of alternative estimates of the Soviet economy's growth rates! Perhaps we should establish statistical cooperatives and permit them to work on statistics based on individual labor activity? Perhaps then we will find out who consumes 65 kilograms of meat per capita? And where he is. All of this is unimportant. The Soviet people did not deserve such a conversation with him. The meat balance has become more of a secret than all military secrets. If statistics "know all," then it would seem that the USSR State Committee for Statistics should conclusively refute the discouraging data about consumption in the USSR and the United States.

Personally, I can neither confirm nor refute them.

I agree only that the percentage of expenditures for well-being in the national income and gross national product of the USSR yields not only to the United States but also to practically all the world's developed countries.

It is quite evident that the interaction of three parameters determines the balance and equilibrium in the consumer market: 1) the amount, quality and variety of goods and services being offered; 2) the population's effective demand; and 3) the level and structure of the retail prices for goods and services.

In a planned economy, it is very difficult to manipulate using the first parameter; it is considerably easier using the second and third. The second and third parameters compete with each other depending on specific social and economic conditions.

Let us look at everything in order. An accelerated growth in the production of goods and services, a sharp increase in their quality and a considerable expansion of their variety are the most economically healthy and stable ways to balance the consumer market in USSR. However, how can this be achieved? A more rapid growth rate for the production of industrial consumer goods (so-called group "B" industry) compared to the production of producer goods (group "A") has been planned in the Soviet economy over the course of a number of five-year plans; however, everything turned out "exactly opposite" each time. We tried to compensate for the extremely low usage level of production resources by increasing the production of producer goods. But the individual—well, he always waits and even reconciles himself to the fact that his standard of living will fall.

## 69 CONSUMER GOODS, DOMESTIC TRADE

Production for the sake of production has always been the alpha and omega of our economic development although fundamentally different slogans were advanced.

### The Peasant Needs

In the USSR, the primary task is to increase food production significantly, although other problems in raising the population's standard of living remain extremely critical. The problem of the population's full-value feeding will trouble Soviet society for a long time. Its roots go far down in our extremely backward agriculture. The enormous capital investments, which have been directed toward this branch during the last 10-15 years, have actually been concealed in our economy's "black holes." Unfortunately, they have not provided any appreciable results either in increasing agricultural production or in developing the village's production and social infrastructure. During 1988, the volume of food products grew by 1.7 billion rubles.

The recent CPSU Central Committee plenum stressed the establishment of fundamentally different economic relations in the village, primarily by broadly expanding leases (both intrafarm and direct) and defining the fundamental role of the state order. This poses the problem of the ownership of the means of production in a new way... In principle, the de-ideologizing of economic relations in the village is now being carried out and this, of course, will help the task. Unfortunately, the process of de-peasantizing the village occurred significantly earlier and it is becoming an ever more difficult task to find people, who know how to work on the land and who love it.

We must pay bitterly for our past, and the hopes to jump over the abyss in two leaps are extremely ill-founded. However, it is nevertheless possible to assume that, while consistently carrying out a series of radical steps to expand agriculture and the agroindustrial sector in general, the USSR will be able to stop importing grain, meat and butter and spend the saved foreign currency at least on importing medicines.

### Without the Effort "Rotting"

No matter how far the Soviet economy moves in increasing the amount of food, clothing and footwear, the percentage of these goods in the volume of consumer goods and services will naturally fall, and the percentage of consumer savings, durable goods and paid-for services will grow. The experience from the change in the structure of consumption in all developed countries testifies to this. There is no objective basis to assume that the USSR will follow a different path.

In order to satisfy the population's present demand, it is necessary to establish a very modern motor vehicle and household electronic equipment production capability in our country within a very short period. In my opinion, it

is here that we need the West's help—financial and technical. The construction of the Volga Motor Vehicle Works was a genuine revolution in the Soviet economy and the population's standard of living. Now, a significantly more powerful revolution is needed. The building of motor vehicles and the production of domestic electronics must correspond to the best world models; otherwise, the already "depraved" Soviet consumer will simply begin not to buy.

Because of the widespread expansion of lease relationships in agriculture, small agricultural equipment is required; the traditions for producing this simply do not exist in the USSR. In my view, this is another probable channel for importing products from the countries of the West.

The question of expenditures for defense and space research is now being posed in a new way also. These expenditures are having a negative effect on the economy and social programs even in the United States, which is much richer than the USSR. For our country, these expenditures are literally a heavy weight that hangs around the economy's neck and threatens to drown it.

However, it would be unfair not to point out that the development of the social and cultural sphere in the USSR accelerated during 1986-1988. The average annual commissioning of housing reached 127 million square meters—this was 15 percent more than in the previous five-year plan. Capital investments in health care, education and culture were increased.

In summing up the concise results of the debate on expanding the production volume of goods and paid-for services in the USSR as the main factor in balancing the consumer market, let us again point out that the USSR needs the financial and technical help of the developed countries with whom contacts should be continuously expanded owing to the objective logic of events. The amount of credit required by the USSR will depend primarily on how consistently the country's political leadership carries out the radical economic reform and is able to come to an agreement with the West on disarmament. The main thing is the degree to which it will be able to raise the population's standard of living as the most important goal in our society's development.

Undoubtedly, the West considers the USSR a solid partner, completely solvent and guaranteeing the liquidity of the assets invested in the USSR. However, even the USSR should enter the world economic system in a suit sewn together by an experienced political and economic tailor.

### "Running In Place—Generally Conciliatory"

Now, concerning the population's effective demand. As is known, it is determined by the increase in current incomes and financial savings. Over the course of a

protracted time, the increase in the population's monetary income has outdistanced the increase in the total amount of goods and services: during 1961-1965, this ratio reached 49 and 39 percent; and during 1981-1985—20 and 17 percent. In 1988, the population's monetary income grew more rapidly than its commodity covering.

Let us try to investigate why this occurred. As was already pointed out, the economic mechanism, which has functioned in our economy for a rather long time, clearly stimulated the extensive type of economic growth and the raising of the population's standard of living. Labor was an extremely cheap resource and the demand for it, if it is permissible to express it this way, had an all-absorbing nature. Clear monopoly effects appeared in the labor market. They often paid qualified labor less than low qualified labor (the mining industry, public transport drivers, etc.). The monopoly position of labor as a factor of production, the social limitation of the need to provide full employment, and the absence of incentives to save all types of production resources gradually led to wages frequently losing any connection with their actual results. It was profitable to keep extra workers "just in case." The adjustment of wages to the socially acceptable level began, and workers were often paid for simply being present at work. Wage-leveelling flourished everywhere and honest and highly efficient work was a thorn in the side of both enterprise directors and the workers themselves. The moral—work less and worse and it will be better—became the general rule. Social and political apathy and life according to the principle—sit down and do not call attention to yourself—contributed to this. The hidden unemployment acquired gigantic scales, preventing the appearance of any economic initiative. As a symbol of all this, one can cite the words from a song by V. Vysotskiy, an outstanding Soviet poet, singer and actor: "Run in place—generally conciliatory."

For the population's monetary income to grow on a normal economic base, it is first of all necessary to create that base. It is necessary to hope that this will also happen if the proposed radical economic reform really becomes radical and not a darned and long ago worn out suit. The reader can reproach us for the fact that, when talking about the solution of many problems connected with raising the people's living standard, we frequently set our hopes on the carrying out of the radical economic reform. However, what is to be done if the dilemma is as follows: Either go forward or remain in place and, perhaps, go backward.

It is the radical reform of the Soviet economy that should make the ineffective use of resources, including labor, extremely unprofitable and that should stimulate not an increase but a reduction in workers, pay only for the results of work and, thereby, contribute to a balance and equilibrium in the consumer goods and services market. Essentially, this also represents a policy of strict control over the increase in the population's monetary income.

### The Dictate of the Producer

Finally, briefly about the third parameter that insures a balance in the economy's development—the level and structure of retail prices. Probably, there is no country in the world where this problem has not been discussed and where everyone considers himself to be an expert. In the USSR, it is one of the most burning questions in the country's social and economic development.

In my article in the journal *KOMMUNIST* (No 14, 1986), I called for a change (on the basis of an increase) in the structure and level of retail prices, which would compensate all population layers, at the same time that monetary reforms were carried out. The majority of Soviet economists—both practical workers and theoreticians—have accepted this point of view. However, I later categorically changed my point of view. Here is why.

First, an uncontrolled retail price increase process is taking place in the USSR. This is expressed in the increase in the average prices for purchases, the washing out of inexpensive varieties of products, an increase in prices to a greater degree than product quality increases, and the worsening of the quality of many consumer goods without a decrease in price. According to the estimates of economists, inflation is reaching approximately four-five percent a year. These are macroeconomic data: These figures are lower or higher for individual goods and social income groups. Hidden inflation most of all strikes social layers with a fixed income; naturally, retirees become poorer than others.

Second, the increase in price handbook retail prices automatically will lead to a increase in average retail prices and the prices of purchases: An inflationary spiral seems unavoidable.

Third, it is extremely difficult, even generally impossible, to compensate all social groups for an increase in prices so that no one is the loser. The suggestion that it is primarily necessary to compensate low-paid layers of the population for an increase in retail prices, strengthens the leveling tendencies in the economy. In addition, it is difficult to imagine how one can compensate the population's financial savings.

Fourth, an increase in retail prices automatically leads to a change in prices for the services which the shadow economy is providing the population.

Fifth, the instruction to now provide a large subsidy to the production of meat and meat products, also does not have any frightening economic sense since incentives to increase the production of meat and meat products can completely get along with subsidies.

Finally, it is difficult to assume that the state is not attempting to shift some of its problems onto the population's shoulders when carrying out the retail price

reform. Everyone remembers the increase (they said that it was temporary) in food prices in 1962. We will not talk about such "minor details" as the price of coffee.

Nevertheless, what should be done about the increase in real retail prices, which up until now has not been subject to any decrees? The main measure here, of course, is the broadest expansion of commodity, financial and market relationships in the consumer sector of the USSR's economy based on an increased offering of goods and services. Only this can be the basis for overcoming the dominance of the producer's dictates over the consumer, for improving the quality of goods and services, and for gradually reducing retail prices based on broad and healthy economic competition. The state is not setting but monitoring the prices for the most important goods in the consumer sector.

### Something On the Quality of Services

Speaking quite honestly, we still do not know what a socialist market is. That is why the task of organizing it in the USSR seems to us similar to inventing a perpetual motion engine. We lack experienced businessmen, who know modern practices; this word has finally ceased to be a swear-word for us.

A USSR consumer market, which is balanced on a healthy economic basis, is a required, although insufficient, means to accelerate economic growth, overcome inflation, increase the purchasing power of the ruble, and combat speculation and corruption. It is important to know who profits from all the truths and untruths in maintaining the present rules of the game.

Let us remember that raising the population's standard of living is socialism's main objective economic law. However, how have we treated this law?

The situation is no better with the distribution of incomes based on public consumption funds which perform two functions: supporting society's members who are not capable of working (pensions, allowances and stipends) and granting free or favorable collective-use benefits (medical services, education and, partially, culture). In 1988, the amount of public consumption funds reached 175 billion rubles. A large difference now exists in providing public consumption funds in the "city"- "village" section. The differentiation for the country's rayons is great. The quality of services, offered based on public consumption funds, still remains very low. Many hospitals do not have elementary conveniences, and schools and VUZ are poorly equipped. The availability of departmental public consumption funds, especially in health care, is giving birth to a large social injustice. The quality of services in the departmental sector of public consumption funds is significantly higher than in the public sector. The departmental sector is also creating significant privileges in the providing of housing. In order to solve these problems, not only large capital investments but also highly-principled social and

political decisions are needed. The elimination of departmental public consumption funds is the most inexpensive economic solution; however, it is not advantageous for certain social groups. It seems that it is necessary here to "exercise one's authority." In the USSR, the relationship between the average pension and the average wage is the lowest among the developed countries. Retiring automatically brings an individual to the edge of poverty. That is why people in low-paid families work until "I no longer can." Both the "upper strata" and the "lower strata" should understand this.

### Footnotes

1. The wages of certain categories of workers and employees are not included here.

2. PRAVDA, 30 January 1989.

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### Gosagroprom Official on Food Industry Developments

18270099 Moscow PISHCHEVAYA  
PROMYSHLENOST in Russian No 4, Apr 89 pp 3-6

[Article by N. F. Kulinich, deputy chairman of USSR Gosagroprom]

[Text] The results of the work of the food industry in the first 3 years of the current five-year plan indicate positive changes. The volume of commodity output increased by 10.2 percent, labor productivity rose by 16.6 percent, and the number of people working in the enterprises of the branch declined. Purchases of sugar beets and oil-seed crops increased.

The output of sugar from sugar beets increased by an average of 1.1 million tons (15 percent) in the first 3 years of the five-year plan (in comparison with the annual average in the 11th Five-Year Plan), vegetable oil increased by 365,000 tons (15 percent), tea by 50,000 tons (24 percent), and confectionery products (in the agricultural-industrial complex) by 540,000 tons (13 percent).

The sugar beet complex on the farms of the Gosagroproms of the RSFSR, Belurussian SSR and Lithuanian SSR developed steadily. Purchases of oil-seed crops at the farms of the Ukrainian Gosagroprom increased, quality improved and there was an increase in procurements of cottonseed increased in Uzbekistan.

The confectionery industry is characterized by the extensive involvement of local and nontraditional raw materials in production. In 1988, the share of output utilizing these sources increased by 40 percent. While reducing

purchases of imported raw materials, this made it possible to increase the output of confectionery products by 550,000 tons in the agricultural-industrial complex in comparison with 1985 and by 320,000 tons (10 percent) in the USSR Gosagroprom.

The use of local raw materials made it possible not only to increase production but also to expand significantly the assortment of output, to reduce the expenditure of sugar, and to do a better job of balancing products nutritionally. Such work is being done everywhere.

The nonalcoholic branch has been developing at an accelerated rate in the current five-year plan. The output of nonalcoholic beverages increased by 68 percent in comparison with 1985 and per-capita consumption rose from 14.5 to 24.5 liters. There was a noticeable change in the assortment. Local raw materials (wild herbs, fruits, products from the processing of grapes, etc.) are extensively used in the production of nonalcoholic beverages.

The output of nonalcoholic products with a longer storage life is increasing. This is one of the basic directions in the branch and a way to satisfy the demand of the population better. In 1988, 30 percent more such output was produced than in 1985.

The production of mineral water developed. New capacities were introduced in Sverdlovsk, Irkutsk and Bratsk, in the settlement of Saluno-Dmitrovskiy in Stavropol Kray and elsewhere. The greatest use will be made of bulk shipments of mineral water, which will make it possible to raise the efficiency of transport work and to expand the assortment of mineral waters in different regions more quickly.

A particular concern is to increase the production of oil-seed crops and the output of vegetable oil. Purchases of sunflower seeds increased somewhat in recent years and those of other oil-seed crops increased in 1988. A positive trend was noted in the production of rapeseed. Their purchases increased from 17,000 tons in 1985 to 160,000 tons in 1988. But these are just the first steps.

The climatic conditions in the country do not allow the growing of sunflower seeds, cotton and soybeans everywhere. Rape is more adapted to our latitudes than other crops and the zone of its cultivation has been greatly expanded. It is essential to increase the production of rape seed to 1 million to 1.6 million tons in the near future. This will make it possible to supplement the reserves of vegetable oils significantly and to satisfy the need of the national economy for this product.

Despite definite achievements, however, the food industry still does not fully supply the population with products. The exposition "Food Commodities and Technological Equipment" that took place in November and December 1988 graphically demonstrated the reasons for this. Substantial progress has been achieved where

attention is being paid to increasing food production, where they are strengthening the material and technical base of food enterprises and where raw materials are being used most fully.

The oblast agricultural committees of Belgorod, Penza, Tambov, Voroshilovgrad and other oblasts are doing substantial work to improve the food supply. Here much has been done to increase the output of confectionery products, nonalcoholic beverages, mayonaise, fruit candies and pastes.

At the same time, the achieved increases in production are not eliminating the shortages of many products as well as of perfumes, cosmetics and other items, some of which are of low quality.

By the end of the five-year plan, the labor collectives of food enterprises have to satisfy the demand of the population for confectionery products in a broad assortment and high quality, vegetable oil, margarine, tea and other products. The basis for this is the developing material and technical base of the food industry.

In the first 3 years of the five-year plan, more than 3.2 billion rubles in capital investments have been assimilated. Large capacities have been introduced for the processing of sugar beets, including the 40th Vinnitsa, 11th Kirovograd and Brichanskiy sugar plants, and a number of confectionery factories and individual butter and fat combines and other food enterprises.

At many Gosagroproms of the union republics and for the USSR Gosagroprom as a whole, however, the rates of growth of capacities for the processing of agricultural raw materials and for the production of output do not meet the needs of the day.

In a number of branches, in particular in the sugar and butter and fat branches, capital investments subject to assimilation for the remaining 2 years exceed 70 percent of the targets for the five-year plan.

The technical reequipment and reconstruction of enterprises is being significantly restrained by a shortage of equipment.

A special program has been affirmed for machine building that foresees a fundamental technical reequipment of enterprises, in particular of the food industry. In according with this program, it is planned in the years 1988-1995 to make ready and delivery about 5 billion rubles in equipment for food enterprises, including 2 billion in new equipment. In so doing, the delivery of domestic equipment for 1990 will increase by a factor of two and by 1995 it will increase by a factor of three in comparison with deliveries for 1988. The program foresees the establishment of 315 items of new equipment for the food industry, including items previously purchased abroad.

In the years 1988-1995, it is planned to issue a set of highly productive equipment for caramel, a machine unit for the pouring of chocolate bars, a mechanized flow line for glazed fruit paste, an automatic "Shambon" line for the production of 100 tons of lump sugar, a self-contained butter-extraction apparatus with a productivity of 400-600 and 1,000-1,200 tons per day, and a line (including a packing unit) for the production of household and toilet soap, etc.

The new machines and equipment shown at the exhibition and assimilated by the country's machine-building complex and USSR Gosagroprom in 1988 inspire confidence in the fact that the food industry will be provided with high-quality domestic equipment.

The acceleration of the social and economic development of our society urgently requires by 1995 not only an increase in the number of products but also the achievement of reforms in the structure and quality of food. In particular, it is necessary to include in the food ration biologically valuable vitamin-enriched products that are recommended for different age groups of the population. It is essential to establish an industry of food products from vegetable oils and grain, the ultimate objective of which is to maintain the health of the individual and to lower his consumption of butter, meat products and sugar.

#### Ways to realize these tasks:

—introduction of new resource-saving technologies that ensure the full and comprehensive utilization of raw and other materials and the processing of industrial wastes;

—broad involvement of local and nontraditional raw materials in production and the establishment of fundamentally new technologies for products with given qualities that are balanced and physiologically valuable;

—technical reequipment of enterprises on the basis of highly mechanized and automated lines.

In the sugar industry, the increase in production capacities and the technical reequipment of plants will be carried on thanks to the application of highly productive equipment, contemporary technical systems and processes, automated control systems and computer technology. They will shorten the time for the processing of sugar beets, reduce their losses and raise the yield of sugar, the primary valuation indicator of the sugar beet complex.

By 1995, it is planned to organize the production of new kinds of crystal and liquid sugars of improved quality—aromatized, with food and flavor additives, and enriched with biologically active substantives and microelements.

They will master the manufacture of food substitutes for sugar with the utilization of starchy raw materials and enzymes, including in 1995 1.8 million tons of glucose-fructose syrup, which will make it possible to satisfy more fully the need of the national economy for sugary substances.

In the confectionery industry, they will continue work to increase the production of output with a reduced sugar content, with fruit, berry, milk and other additives. In a short time, they will have to establish the large-capacity production of crackers, a product produced from domestic raw materials with a reduced content of fat and sugar. By 1991, their production will amount to 130,000 tons compared with the 10,000 at the present time.

In the butter and fat branch, the improvement of production will ensure the transition to wasteless technologies for the processing of sunflower seeds and soybeans. The introduction of new types of extractors and progressive pressing machine units will raise labor productivity and reduce the expenditure of solvent as well as heat and electric energy.

In the coming years, it is planned to organize the output of food protein products from soybeans. This output was obtained at the Chernovtsy Butter and Fat Combine. It is planned to organize the large-scale production of protein concentrates and isolates at a joint Soviet-American enterprise for the processing of soybeans, for whose establishment talks are now under way.

Much work has to be done to establish capacities and to introduce new technologies in the margarine industry. It is a matter of the output of "breakfast" butter and low-fat sandwich margarines, whose organoleptic qualities can not only compete with butter but also surpass it with respect to the balance of nutritive substances.

In 1988, 20 self-contained lines (essentially plants) were purchased for the production of such output with a total annual capacity of 440,000 tons. The equipment has started to arrive and it is important to install it and to produce output on it in a short time.

The transition to industrial methods of producing concentrates and compounds for different beverages and kvass will improve the quality of nonalcoholic output. There will be an increase in its output using preservatives that make possible an increase in its storage time; it is planned to assimilate the output of stable pasteurized kvass.

It is planned to review the assortment of high-quality nonalcoholic beverages from local raw materials, wild fruits and herbs. At the present time, about 120 brands of beverages are produced from local raw materials. They include "Tarkhun," Bakhmaro, "Kolkhuri," "Myatnyy" and others in great demand.

In the food concentrate industry, they will extensively introduce technologies and equipment for the production of dry children's food products based on vegetables and fruits.

In the current five-year plan, the foundations are being laid for the production of output from grain, or dry breakfasts. It is planned to increase their output to 200,000 tons by 1990 and to 500,000 tons by 1995. Just as in the case of crackers, these products have good taste qualities and are produced from domestic raw materials.

In the tea branch, along with traditional kinds of tea, they have begun to produce output enriched with spicy and aromatic additives and also other varieties (granulated tea, tea concentrate, etc.). Whereas 7,100 tons of this output was produced in 1988, the amount is to increase to 20,000 tons by 1990. This work is well organized at the enterprises of the Belorussian SSR and Georgian SSR Gosagroproms. The rate of output of tea beverages has been slowed in other republics. To activate this process, it is recommended that cooperatives be established for the collection and procurement of wild spicy and aromatic herbs, fruits and berries as well as for the production of tea beverages.

In the years 1989-1995, it will be necessary to expand the area and reconstruct tea plantations, to rejuvenate them with new highly productive varieties, to strengthen the material and technical base of the tea industry and to improve significantly the quality of domestic tea.

In the present stage, the workers of the food industry face an important task, that of mastering the economic method of work, of shifting to full cost accounting and self-financing and, taking into account the specific conditions of each enterprise, of selecting the most efficient forms of organizing production, whether it be the collective contract or leasing within the enterprise and of the enterprise as a whole or the formation of qualitatively new integrated agro-industrial or scientific-production systems. The main thing is for the management system to preclude irresponsibility and ensure smooth and highly efficient labor activity, developing through its own growing income.

An analysis of the actions of food enterprises working under full cost accounting and self-financing in 1988 showed that the new economic mechanism is creating the objective preconditions for raising their independence and responsibility for the results of economic activities, that there has been an increase in the rates of growth of basic technical and economic indicators in comparison with the corresponding period of the previous year, that their financial state improved, and that there was an expansion of the rights of enterprises to develop production and the social sphere using their own means.

At the same time, there are many complications. More than half of the profit and a significant part of the depreciation allowances of enterprises were centralized for a long time, which deprived them of the possibility of

forming economic stimulation funds adequate for further development. And now, in the transfer of food enterprises (under the conditions of the five-year plan) to full cost accounting, the allocations to the budget are so high that the labor collectives cannot accumulate the means for the planned rates of reproduction. In addition, the credit indebtedness that accumulated over many years for reasons basically independent of the collective had a negative impact.

A search is now under way for new forms of integrating agriculture and the processing industry. In the sugar beet complex, three agro-industrial systems have been established on an experimental basis for the purpose of working out an organizational and economic mechanism for the interrelationships of the beet-growing kolkhozes, sovkhozes and sugar plants that would interest the labor collectives in increasing the production of sugar.

The systems include the Erken-Shakhar Sugar Plant (Stavropol Kray), the Luchanskiy Plant (Kiev Oblast), the Zhashkov Plant (Cherkassy Oblast) and the beet-growing kolkhozes and sovkhozes of the raw material zones of the plants (for the production of sugar beets only). Each of the partners maintains its own economic independence and rights as a legal entity.

The agro-industrial systems are managed on a democratic basis with the direct participation of kolkhozes, sovkhozes and sugar plants. The guiding bodies of these integrated formations are the system councils, which include managers and specialists from the kolkhozes, sovkhozes and sugar plant. The council of the Erken-Shakhar and Luchanskiy systems are headed by kolkhoz chairmen and the Zhashkov system is headed by a director of a sugar plant.

The basis for the economic relationships of the beet-growing farms and sugar plants is the distribution of profit obtained from the sale of sugar depending on the contribution that they made to its production. At the same time, the systems have different principles for the economic interrelationships of the participants.

At the Erken-Shakhar and Luchanskiy agro-industrial systems, the state order for the production of sugar is given to each kolkhoz and sovkhoz. At the decision of the council, the sugar produced above the state order may be sold to the organizations of consumer cooperation and also utilized for the production of confectionery products and other output.

The sugar beets are delivered to the plants for processing without payment (under the principle of customer supply). The beet-growing farms reimburse the sugar plants for the procurement, storage and processing of sugar beets and for other expenditures from funds received from the sale of sugar. The kolkhozes and sovkhozes make payments to the budget at the rate of 40 rubles per ton of sugar sold.

The work of the Zhashkov agro-industrial system is organized under different principles. There the state order for the production of sugar is set for the sugar plant that is the head enterprise of the system. The income from the sale of sugar is distributed among the farms and sugar plant taking into account their specific contribution to the final results under standards affirmed by the system council.

In 1987, the USSR Gosagroprom organized a production system and five scientific-production systems for the production of sugar beets. Thirty three farms with an area of 14,200 hectares sown in beets were included in them on a contractual basis. The head enterprise of the production system is "Zarya Kommunisma" Kolkhoz in Korenevskiy Rayon in Kursk Oblast and the scientific-production systems are headed by the experimental and selection stations of the "Sakhsvekla" Scientific-Production Association of the USSR Gosagroprom. The systems are managed on a democratic basis by the system councils.

In these systems as a whole in 1988, they obtained 358 quintals per hectare, which is 59 quintals above the average annual yield in the 11th Five-Year Plan. The state was sold 451,000 tons, or 20 percent more than in the years 1981-1985. Labor input per quintal of sugar beets was 0.32 man-hours instead of 0.52 man-hours in the 11th Five-Year Plan.

In 1988, 3 more such systems were established that integrated 15 kolkhozes and sovkhozes with an area of 6,100 hectares sown in beets.

An analysis of the work of the systems showed that the principles established in their formation for the activities and economic ties among the sugar plants, kolkhozes, sovkhozes and scientific institutions basically justified themselves.

In the beet-growing oblasts, krays and republics, these systems can be brought together in a single production and economic complex for the production and processing of sugar beets, which an elective body can manage.

The potential of the new forms and methods of management is great. It is fully revealed only when people show initiative, creative search and interest in successful work and real cost accounting relations. Only an efficiently operating internal cost accounting that orients all workers toward the achievement of good final results and that makes the remuneration of labor directly dependent upon their contribution to economic activity can economically stimulate each worker to participate actively and efficiently in the resolution of production problems and in the increase in the output of production with the least expenditures.

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## GOODS PRODUCTION, DISTRIBUTION

### State, Co-op Trade: Statistical Survey 1986-1989

18270094 Moscow VESTNIK STATISTIKI in Russian  
No 4, Apr 89 pp 45-51

[Article: "On Commodity Stocks in State and Cooperative Trade"]

[Text] During the years of the 12th Five-Year Plan that have passed, the state of the consumer market (both in overall volume and in its variety and quality composition) has seriously lagged behind the population's purchasing power: The population's monetary incomes grew 16.7 percent during 1986-1988, but the sale of consumer goods (in actual prices) increased 13 percent and reached 366.2 billion rubles in 1988. During the five-year plan's first three years, 18.9 billion rubles worth of goods less than planned were sold to the population (the fulfillment was 98.2 percent), including 22.1 (96.8 percent) during 1986-1987—the plan was overfulfilled by 3.2 billion rubles in 1988 (100.9 percent).

During the three years, the trade system received almost 40 billion rubles worth of goods less than the planned amounts; in connection with this, trade stocks, whose total amount was reduced by more than 15 billion rubles during 1986-1988, were intensely drawn into sales. This led to interruptions in the trade of many goods and to an increase in the circle of acutely scarce goods.

Information, which describes the change in commodity stocks in wholesale and retail trade and in industry, is given below:

	On 1 January			
	1986	1987	1988	1989
Billions of rubles, in actually established prices				
All commodity stocks	97.8	89.7	83.9	82.6
Including:				
In retail trade	76.2	70.0	65.5	64.6
In wholesale trade and industry	21.6	19.7	18.4	18.0
In days of retail commodity turnover				
All commodity stocks	118	108	97	83
Including:				
In retail trade	92	84	76	65
In wholesale trade and industry	26	24	21	18

The economically unsound practice of storing goods in stores has taken shape in trade: Approximately 80 percent of them are concentrated in the retail link and about 20 percent in the wholesale trade system; for non-food goods, it is 83 percent and 17 percent, respectively.

During the first three years of the current five-year plan, the trade system's supply of stocks in the wholesale link has been reduced on the whole by eight days, including 11 days for food products (from 28 to 17 days) and 9 days for non-food goods (from 31 to 22 days).

In retail trade, stocks have been reduced during this period by almost 12 billion rubles. Whereas the stocks in retail trade at the beginning of the current five-year plan exceeded the established norms by 2.4 billion rubles, they were short of the norm by 8.7 billion rubles (14 percent) at the beginning of 1989. Food stocks were below the norm by almost a third; non-food goods—by 10 percent.

Information on commodity stocks in current storage compared to the norms is given below (for the beginning of the year):

	Commodity stocks in current storage			As a percent of the norm		
	More than (+), less than (-) the norm, in millions of rubles	1986	1988	1989 (estimated)	1986	1988
All commodity stocks	+2370	-6267	-8683	103.9	89.7	85.9
Including:						
Foodstuffs	+775	-2418	-3638	107.1	75.4	63.7
of them:						
Food products	+604	-1182	-2542	108.5	66.3	68.4
Alcoholic drinks	+171	-1236	-1096	104.6	42.1	44.6
Non-Food products	+1595	-3849	-5045	103.2	92.5	90.2

The stocks of almost all consumer goods were below the norm on 1 January 1989.

During 1986-1988, the trade system's current requirements for food products were not satisfied. Four billion rubles of food products less than the plan were delivered to the trade system during the three years; in connection with this, assets from the trade system's stocks worth 2.5 billion rubles, including 1.7 billion rubles from retail stocks, were drawn into sales during these years.

Meat product and animal fat stocks are mainly (approximately 70 percent) located in wholesale trade and industry. The population's demand for meat and animal fat grew during the current five-year plan under the influence of the increase in the population's monetary income. During the mentioned years, the growth in the sale of meat products outstripped the growth in deliveries; with an increase in deliveries of 15.3 percent, sales increased by 18.3 percent. The outstripping increase in sales occurred by drawing into trade meat products from stocks, which were reduced during this period by 57,000 tons (eight percent). In this regard, a certain accumulation of stocks occurred during 1986; their volume grew by 110,000 tons and reached 857,000 tons on 1 January 1987. During the next two years, they were reduced by 167,000 tons and were 690,000 tons at the beginning of 1989. Whereas the trade system had a 26-day supply of meat products at the beginning of the five-year plan, the supply was 14 days on 1 January 1989. The total amount of meat product stocks in the retail trade system was 42 million rubles, or 21 percent, below the prescribed norm at the beginning of 1989.

The increase in the sale of animal fat during all years of the current five-year plan has been somewhat lower than the increase in its delivery to the trade system: Deliveries during the three years grew by 23.1 percent, and sales by 21.7 percent. This has permitted stocks to be enlarged somewhat—by 29,000 tons, or 13.1 percent.

A total of 560,000 tons, or 13 percent, of confectionery items more than in 1985 and 207,000 tons (five percent) more than in 1987 were sent to the trade system in 1988. The population's demand, however, outpaced the delivery amounts. Confectionery items from stocks, whose amount was reduced during the three years by more than twofold (from 527,000 to 239,000 tons), were drawn into the trade system. Whereas the wholesale and retail trade systems had a 45-day supply on 1 January 1986, it was 16 days on 1 January 1989. Even simple types of confectionery items (caramels, spice-cakes, bon-bons, pastries, cakes, etc.) moved into the ranks of acutely scarce ones: bon-bons and chocolate were not on sale in more than half of 130 surveyed cities; caramels—in a third; spice-cakes, waffles and sponge-cakes—in a fifth; and cakes and pastries—in a tenth.

During 1986-1987, an increased demand for sugar was noted in connection with its use for moonshining. Its sales increased by 14 percent during this period. In 1988, restrictions on the sale of sugar were introduced practically everywhere (its supplying to the population using coupons was prescribed on 114 of the 160 territories. In connection with this, its sales volume decreased by five percent. In spite of this, a strained situation in supplying

sugar to the trade system is taking shape. Its stocks have been reduced 2.3-fold (from 4.5 million tons on 1 January 1986 to 2.0 million tons on 1 January 1989). Stocks were reduced especially substantially in 1988 (1.7-fold).

Information on the availability of sugar stocks in the trade system is given below (in thousands of tons):

	On 1 January		
	1986	1988	1989 (estimate)
Total	4463	3435	2000
Including:			
In wholesale trade and industry	2020	2345	1300
In retail trade	2443	1090	700

Sugar stocks in retail trade were reduced 3.5-fold during 1986-1988 and their supply from 133 days on 1 January 1986 to 28 days on 1 January 1989. Their amount was 923 million rubles (71 percent) lower than the norm.

In connection with the deterioration of tea's consumer qualities, its sales volume grew. The increase in sales (21.6 percent) during 1986-1988 outstripped the increase in tea deliveries (15.8 percent) to the trade system. Its stocks in retail trade were reduced from 120 days in 1985 to 70 days in 1988; their volume was almost a third lower than the norm. In a tenth of the cities, there was no black Baykhobiyt for sale at the end of 1988.

The population's requirements for fish in general and by variety, type and processing method are not being satisfied. A total of 447,000 tons (four percent) of fish and herring less than planned was delivered to the trade system during 1986-1988, including 222,000 tons (six percent) in 1988. Fish and herring stocks decreased by 171,000 tons (15 percent) during 1988 when compared to 1985, including 23,000 tons (14 percent) in retail trade, and were 34 million rubles (26 percent) below the prescribed norm. Stocks of canned fish have also been reduced almost twofold, or from a

114-day supply on 1 January 1986 to a 67-day one on 1 January 1989; 0.2 billion rubles (32 percent of the norm) were not delivered to the trade system.

The retail trade system's stock of potatoes was reduced from 96 days on 1 January 1986 to 80 days on 1 January 1989; vegetables—from 44 to 36 days; and fruit—from 50 to 28 days. The stocks of these products located in storehouses is described by the following information (in thousands of tons):

	On 1 January		
	1986	1988	1989
Potatoes	4206	4286	3503
Vegetables	2726	3272	3120
Fruits	601	392	415

The supplying of commodity turnover with non-food commodity assets has occurred in a strained manner during the current five-year plan: 16.6 billion rubles fewer than the plan arrived in the trade system during 1986-1988.

Demand significantly outstripped their delivery volumes to the trade system. Whereas deliveries grew by 23 billion rubles (14 percent) during the three years, sales grew by 29 billion rubles (20 percent). Throughout all the years of the current five-year plan, an intensive use of trade and industrial stocks for sales occurred: During 1986-1988, they were reduced by 8.7 billion rubles, including six billion rubles in retail trade (where their major amount is concentrated).

Whereas the total amount of non-food commodity stocks exceeded the prescribed norms by 1.6 billion rubles on 1 January 1986, the norm was short 2.8 billion rubles of them by the end of 1986; 3.8 billion rubles—in 1987; and 5.1 billion rubles—in 1988.

Information, which describes the change in non-food commodity stocks in the state and cooperative retail trade system (at the beginning of the year), is provided below:

	Billions of rubles			In days of retail commodity turnover		
	1986	1988	1989(estimated)	1986	1988	1989(estimated)
All non-food goods	60.9	55.4	54.9	131	113	104
Including:						
Cotton cloth	0.8	1.2	1.2	127	204	170
Woolen cloth	1.3	1.0	0.7	268	169	120
Silk cloth	2.2	1.8	1.6	248	281	197
Clothing and underwear	11.8	10.8	9.9	134	131	126
Knitted items	4.6	4.1	3.6	120	105	99

	Billions of rubles			In days of retail commodity turnover		
	1986	1988	1989(estimated)	1986	1988	1989(estimated)
Hosiery	1.1	0.9	0.8	122	91	74
Leather footwear	3.9	3.3	2.9	94	88	83
Perfume and cosmetic items	1.2	1.0	0.9	129	81	69
Haberdashery items	4.6	4.2	4.3	203	169	163

In spite of the reduction in the supplying of trade with non-food commodity stocks (by 27 days), trade has more than a 3.5 month supply of them available. However, seasonal storage and early delivery stocks, which do not supply the current commodity turnover, occupy considerable volumes in them (almost 20 percent). At the same time, as material from a one-time inventory shows, more than 70 percent of non-food commodity stocks are in stores and booths; they are frequently distributed by variety without taking the population's demand into consideration. All of this creates the appearance that large amounts of stocks are available in trade (104 days) when they are actually in short supply.

The stocks of personal consumer goods (clothing, underwear, knitted and hosiery items, and leather footwear) are especially low in the trade system.

Six percent fewer of these goods were delivered to the trade system in 1988 than in 1985. The decrease occurred at the expense of import receipts (32 percent). During this period, sales grew by five percent and the stocks in the retail trade system decreased by 4.2 billion rubles (20 percent). On 1 January 1989, they were 2.3 billion rubles (14 percent) lower than the prescribed norm, including 0.9 billion rubles (9.4 percent) for clothing and underwear, 0.4 billion rubles (12 percent) for knitted items, 0.2 billion rubles (22 percent) for hosiery items, and 0.8 billion rubles (25 percent) for leather footwear.

The shortage of clothing stocks is also aggravated by the variety and quality imbalance with the population's demand; the volume of unsatisfied demand for these goods has been determined to be 17 billion rubles. The trade system is experiencing an acute shortage of winter and between-season overcoats, jackets, macintoshes, clothing, blouses, skirts, men's and women's knitted underwear made from cotton, outer knitted wear, women's and children's pantyhose, footwear of all types, and sports clothing. At the same time, stocks of women's dresses and suits for 18-21 months of sales have piled up in the city stores of Georgia and Turkmenistan; 23 months of trade in children's outer cotton knitted items in Tajikistan but a 12-day supply of them in Estonia; 284 days of boots in Tajikistan but 18 days in Kazakhstan; 29 months of trade in women's half-boots with warm linings and fur in Azerbaijan but 15 days in Lithuania; 20 months of children's footwear in Turkmenistan but six days in Estonia.

The level of consumption of knitted items is almost twofold lower than the rational norm; hosiery items—32 percent; and footwear—22 percent.

The constant presence of unmarketable and old items, which have lost their original quality, do not satisfy modern fashion trends and are antiquated in style and models, exists in the mentioned commodity stocks. Information on a one-time accounting of the presence of unmarketable and old non-food products (on 1 October) is provided below:

	Millions of rubles			In percentages of the total amount of stocks of the appropriate commodity groups		
	1985	1987	1988	1985	1987	1988
Total unmarketable and old goods	2773	1439	960	4.5	2.6	1.7
Including:						
Cloth and clothing items of them:	1915	1015	685	7.2	4.3	2.8
Cloth	539	277	159	13.0	8.6	5.2
Clothing and underwear	727	371	262	6.0	3.3	2.3
Outer knitted garments	201	90	63	6.5	3.3	2.1
Linen knitted wear	113	59	42	6.8	4.0	2.8
Hosiery items	38	25	16	3.1	2.4	1.5
Leather footwear	281	181	134	7.1	5.3	3.7

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	Millions of rubles			In percentages of the total amount of stocks of the appropriate commodity groups		
	1985	1987	1988	1985	1987	1988
Haberdashery goods	279	167	109	5.0	3.3	2.1
Other non-food goods	579	257	166	1.9	0.9	0.6

Items, which industry produced prior to 1988, represent the overwhelming portion (99 percent) of unmarketable and old goods. Cloth, clothing, footwear, and haberdashery items represent 83 percent of the unmarketable and old goods; 89 percent of them are items that the USSR Ministry of Light Industry have produced.

Women's winter overcoats with expensive collars unsatisfactorily sewed, men's and women's between-season overcoats of outdated styles made of thick woolen cloth in light colors, men's suits made of seemingly woolen cloth, and women's dresses in outdated styles and models made of wool and acetate rayon are not in demand and are accumulating in stocks.

With an acute shortage of leather footwear resources for all population groups, footwear of unsatisfactory quality, with a low design level, uncomfortable to wear (rough, stiff and heavy), using expensive polyurethane soles and outdated production models from the Frunzenskiy, Tbilisskiy Isani, Dnepropetrovskiy, Zaporozhskiy, Voroshilovgradskiy, Odesskiy, Kremenchugskiy, and Nikolayevskiy footwear associations and Kharkovskaya, Vitebskaya, Bobruyskaya, Yaroslavskaya, Bakinskaya, and other factories, have accumulated in stocks.

The quality of the goods arriving in the trade system is improving slowly. Thus, in 1988, the wholesale organizations of the union republic ministries of trade rejected 7 percent to 10 percent of the inspected cloth, clothing, underwear, and leather footwear; and more than four percent—of knitted items.

During 1986-1988, an increased demand for cultural, everyday and household commodities was observed in connection with the increase in purchases to replace items, which the population is using, and to furnish the population's housing; the speculative buying of expensive goods also appeared last year. In spite of high growth rates in the deliveries of these goods to the trade system (during the three years, they grew approximately 1.3-fold), current assets do not satisfy the increased requirements. In this regard, a reduction in deliveries has occurred for several items (refrigerators, radio receivers, televisions, electric irons, glass dishes, and several other items). As a result of this, a large use of retail trade stocks for sales occurred and their supply was reduced from 141 days on 1 January 1986 to 90 days on 1 January 1989. The circle of scarce durable goods has expanded; televisions, refrigerators, electric vacuum cleaners, washing machines, electric irons, radio receivers, china and glazed pottery dishes, plumbing fixtures, building materials, jewelry items, and many others are among them.

The following information describes the supplying of the trade system with stocks of individual durable items (as of 1 January):

Millions of rubles:	Expressed in absolute numbers			As days of retail commodity turnover		
	1986	1988	1989(estimated)	1986	1988	1989(estimated)
Furniture	1079	834	751	48	34	30
Carpets and carpet items	1668	1028	832	123	81	66
China and glazed pottery dishes	511	505	478	178	151	132
Glass dishes	1087	767	642	339	226	177
Jewelry items	2956	2499	2102	384	267	190
Building materials	1287	1489	1588	124	101	87
Thousands of items:						
Watches	14746	14278	13700	112	99	92
Refrigerators	1099	682	387	112	64	35
Washing machines	320	317	322	24	21	20
Electric vacuum cleaners	324	252	198	33	23	17
Electric irons	3120	3011	2308	91	83	61
Sewing machines	105	90	94	28	24	22
Televisions	1589	879	549	54	32	19
Radio receivers	3217	2497	1835	186	122	98

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During the years of the 12th Five-Year Plan, stocks of cultural, everyday and household items were reduced by 3.4 billion rubles, or 18 percent, in retail trade; in 1988—by 0.9 billion rubles (5 percent).

By the end of 1988, furniture stocks in retail trade were 0.4 billion rubles (36 percent) less than the norm; carpets and carpet items—0.3 billion rubles (25 percent); radio and electric items—0.8 billion rubles (22 percent); bicycles and motorcycles—0.1 billion rubles (21 percent); watches—0.1 billion rubles (19 percent); musical instruments—0.03 billion rubles (19 percent). In many rayons, the sale of durable goods occurs by registering beforehand and waiting, as a rule, from one to three years for the purchase. It is practically impossible to buy electric irons, electric lighting appliances, light bulbs, magnetic tape, compact cassettes, and other electrical items that simplify life (mixers, toasters, meat grinders, juicers, coffee-grinders, and galvanic cells).

During the years of the 12th Five-Year Plan, the sale of jewelry items livened up considerably; during the three years, their sales grew 1.4-fold, including 1.2-fold during 1988 with an insignificant increase in deliveries (three percent during the entire period); in this connection, the supplying of the trade system with stocks was reduced twofold; 0.2 billion rubles (10 percent) of them were delivered below the norm (for the first time in recent years) at a time when the stocks exceeded the prescribed norm by one billion rubles, or by half, at the beginning of the five-year plan.

The interruptions in the trade in detergents, which occurred at the beginning of 1988, led to an unjustified increase in the demand for them. Thus, last year, 1,039 million tons of synthetic detergents arrived in the trade system as opposed to 969,000 tons in 1987, or 7 percent more, and 247,000 tons of soap as opposed to 226,000 tons (9 percent). The deficit in these goods, however, did not lessen because the purchases of them produced a consumer stockpile.

The stocks of these goods in retail trade failed to satisfy the norm by 0.3 billion rubles (58 percent); inexpensive types of toilet soap are especially short in the trade system. Children's soap is not for sale or is being sold on an interrupted basis in half of the cities (based on information obtained from trade correspondence in 96 cities); synthetic detergents—in a third; and laundry soap—in a fifth. During 1986-1988, the supplying of the trade system with stocks of laundry and toilet soap and synthetic detergents was reduced by more than threefold.

Trade in perfume and cosmetic items is taking place with an acute shortage in their stocks (their stocks are 0.4 billion rubles, or 34 percent, below the norm). Sales of these items increased 35 percent during the three years; and deliveries—24 percent. This involved the use of retail trade stocks for sales. Stocks were reduced 1.4-fold,

or by 63 days. Buyers are complaining about the absence of toothpaste, shampoo, creams, nail polish, lipstick, colorings, inks, etc., for sale.

Trade organizations are not exerting the necessary influence on industry to increase the production of consumer goods in the required amount, quality and assortment and to insure their smooth delivery to the trade system. The work of wholesale organizations in fulfilling their main function—the smooth and uninterrupted supplying of the retail network with commodity resources—is extremely unsatisfactory. More than half—in individual cases, up to 70 percent—of the monthly volume of non-food commodity resources arrive in the trade system during the last 10-day period and frequently during the last days of the month.

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### Retail Trade Turnover Results Surveyed

#### Four Republics Examined

18270090 Moscow *PRAVITELSTVENNYY VESTNIK*  
in Russian No 7, Apr 89 (signed to press 30 Mar 89) p 6

[Article: "Step Out To Meet the Purchaser"]

[Text] "On Urgent Measures To Improve Trade Service for the Population"—that is the title of the decree of the USSR Council of Ministers, adopted on 5 August 1988. How is it being fulfilled? Materials from a combined special assignment filled by *PRAVITELSTVENNYY VESTNIK* and TASS tell about this.

It is now possible to shop from 7 in the morning to 11 in the evening at the Mogilev Krinitza Self-Service Store, located in a densely populated microrayon. The staff did not have to be expanded to increase the store's hours of service. The secret is simple: the shoppers are received by a small department, which is open early in the morning and late in the evening, when the main trade hall, almost 1000 square meters in area, is empty. At the "mini-self-service store" one can buy all the most necessary products: bread, dairy items, cereal and canned foods.

"There are 102 divisions and stores operating by this method in the republic's Ministry of Trade system," said N. Makayed, deputy chairman of the BSSR Council of Ministers, in commenting on this fact. "Of course, this is not many so far: the conditions do not always permit it, and not everywhere is there such a need. The sectorial Beliprotorg Institute was given the assignment, when designing all the new self-service stores, to make sure that there was a possibility of creating a 'store within a store.'"

All major stores should operate on a schedule convenient for the population—particularly those that are located in city centers, near terminals, in a word, in busy places. In accordance with the assignment of the BSSR Council of

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Ministers, last year the local Soviets once again made an attentive analysis of the state of affairs. The shoppers were polled, and the way in which the work conditions of the stores and nearby enterprises were coordinated was verified. As a result, in the second six months the number of grocery stores finishing work at 10 and 11 p.m. increased to 231. Another 200 stores were added to the 38 where workers eat on a sliding schedule.

Similar processes are also taking place at consumer cooperatives, although, naturally, here they have their own specific nature. Let us say, in the villages the operating conditions of a rural store are established on the basis of common gatherings, and in rayon centers and large urban-type settlements, stores with attendants are open.

Under the conditions of full cost accounting, the increase in the length of service time of the stores is not always economically advantageous. Today, however, we should take into consideration not only the purely economic indicators, but the main thing, satisfying the needs of the population. The decisive word in this should be left to the local Soviets, who must constantly study the needs and wishes of the people and more boldly defend their interests.

The Kirghiz SSR Council of Ministers acknowledged as unsatisfactory the work of the ispolkoms of the Frunze City and Issyk-Kul Oblast Soviets of People's Deputies and the republic's Gosstroy with respect to constructing trade facilities.

The stores are being built especially poorly because of the withholdings from the funds allotted for housing construction. Since the beginning of the five-year plan, the Frunze Gorispolkom has utilized only 59.8 percent of them, including 28 percent in 1988. This year the deductions for these purposes have sharply decreased in general.

The Issyk-Kul Oblispolkom occupies the same position. In the resort zone, where the flow of people for recreation purposes grows yearly, some dining halls and snack bars have no hot water and no sewerage. Many stores are unheated in the winter. The construction of a department store in Przhevalsk is lagging behind greatly. The problem of catering and providing the most necessary commodities is growing increasingly acute.

Other republics also have a chronic shortage of trade areas.

"Not all the ispolkoms of the local Soviets realize that the mood of the people, and that means, their work efficiency as well, depends on the trade organization," says A. Dzhumagulov, chairman of the Kirghiz SSR Council of Ministers. "A great deal of time is spent in standing in lines. The work conditions of many trade and

public catering enterprises is inconvenient. Mismanagement, abuse, waste and misappropriation of material values, violation of the trade regulations—that is what we encounter. The service standards are low."

One of the reasons for this situation is the lagging behind in the development of the material-technical base of trade. Provision with trade areas is on the average 80 percent of the norm. The republic's Council of Ministers recently discussed this problem. It was noted that something had to be done to correct the situation. It was decided, in particular, in 1989-1992 to develop the trade network more rapidly than had been planned for the 12th Five-Year Plan. The public catering enterprises will be expanded at outstripping rates.

The Council of Ministers noted that the construction workers of the republic's capital and the Issyk-Kul area have not fulfilled their obligations to trade, and the ispolkoms held a compromising position. As a result, the republic last year failed to obtain a considerable part of the planned capacities.

The Presidium of the republic's Council of Ministers severely warned the directors of the appropriate ministries, departments and ispolkoms of their personal responsibility for promptly putting trade facilities into operation. The course of this work is being strictly controlled.

We are trying to make up for the shortage of trade areas in the republic to some extent through improving the operating conditions of the stores. On Sundays, in the cities every second store is now open for business, every fourth one is open until 9 p.m., and every tenth one—until 10 or 11 p.m. This reduces the lines. A small retail trade network, and delivery and distribution trade are being developed. Since the beginning of the year about 600 display sales have already been made. The addition to the commodity turnover from these measures alone is over 8 million rubles.

The increase in the trade resources and the measures taken to improve the trade service for the population are yielding some positive results. For example, the retail commodity turnover for 1988 increased by 10.9 percent, and 139 million rubles worth of above-plan commodities were sold. Some 19,700 tons of milk and dairy products above the stocks and 33 million eggs were sold, and the sale of meat and poultry increased by 4,800 tons as compared with 1987. The sale of all types of food and non-food commodities increased considerably.

Retail commodity turnover for January-February of 1989, as compared with the same period last year, increased by 12 percent, at comparable prices, including a 20.7 percent rise in the sale of agricultural products purchased according to contractual prices. The sale of products for the internal production of public catering enterprises is growing at outstripping rates.

One of the liveliest intersections in Tashkent—near the Detskiy Mir Department Store—has been transformed. A top floor has grown up at the bus stop—a comfortable mini-cafe. Next to it is a confectionery shop. I could not stand it: I tried a hot meat pie—the “host” of the top floor baked it here. I drank fruit juice.

Every month this microscopic trade enterprise sells several thousand rubles worth of products. There is another one, with the romantic name “Charkpalak” (Watermill), at the next intersection: behind an azure blue fence are a dozen tables and chairs. Here they serve coffee and juices. There are sandwiches and pies.

There are about 70 such “bistros” in Tashkent. New ones are growing up. Construction costs about 10-30,000 rubles and the expenditures are paid back in a month. For example, the monthly receipts from the “Uchtrashuv” (Meeting) Cafe are almost 15,000 rubles, and from the “Bir dakika” (One Moment) Cafe—over 10,000 rubles. Creative groups of architects have been drawn into the business, and they give these structures expressiveness and national coloring. The Tashkent “bistros” are a response to a government decision. Many general catering enterprises have begun to operate in one-and-a-half and two shifts. Six of them are open 24 hours.

The seasonal network has begun to operate from early spring to late autumn. The general catering operators have also expanded the number of paid services. They can make a cake for any taste. They serve for family celebrations. They prepare quite a good meal for a family. There is a special group of cooks and waiters for this in the city restaurant combine. The fruits of these forces are: last year—7.6 million rubles of above-plan receipts and a 4-percent increase in turnover. The fast service experiment of the Tashkent cafes is not in vain: in May it will be the subject of a study at an All-Union Seminar of Public Catering Workers.

“Here is one more lesson: if you undertake something, perhaps it will prove to be, even with the present shortage of products, an inexpensive and in general a fairly good way to serve the customer, with a noticeable increase in commodity turnover,” says G. Kadyrov, chairman of the Uzbek SSR Council of Ministers. “The seminar which was mentioned above, will be arranged at the request of the directors of the USSR Ministry of Trade, who visited Tashkent. They gave high praise to the initiative to create a fast service cafe.”

As far as the workers of the Uzbekistan public catering services themselves are concerned, they are developing similar points in other cities in the republic: they have already appeared, for example, in Namangan, Samarkand and Andizhan. In order to develop the “bistro” network more successfully, a number of Tashkent enterprises have set up the output of light type structures and units to assemble small summerhouses, awnings, stands, etc. Everywhere in our country, however, as can be seen,

there is an acute shortage of equipment for mass preparation of pancakes, pies, sandwiches and broths, as well as all kinds of mixers, freezers, coolers and dishes for various uses. It would seem that it is time to develop mass output of this equipment.

On one of the central streets in the capital of the Ukraine, a firm-name salon-shop, “Muzhskiye kostyomy” [Men’s Suits] has opened, selling items from the Kiev Experimental Garment Factory. Elegant clothing of various styles and colors is displayed in two halls. Ironed, spick-and-span, the items are not hung close together, as in department store sections, but are “worn” by mannequins. Here the shoppers can also learn about which suits the enterprise will soon be producing.

In order to acquire things to your taste, you do not have to come here every day. You have only to fill out an order and give your address. Experienced sales clerks will help you to pick a shirt and tie for the suit. Contracts have already been concluded on the supply to the store of products from the Kiev Kashtan Garment Association and a factory for tasteful haberdashery items.

Here is another example. On Leningrad Square in Kiev was the “Trikotazh” shop, under the jurisdiction of the Ministry of Trade. Now there is a firm-name salon of two Kiev enterprises—the Association imeni Roza Lyuksemburg and the Kiyanka Factory. It already belongs to the UkrSSR Ministry of Light Industry. They feel that this will help in a better study of demand....

“The republic now has 125 firm-name stores in operation,” says Ye. Kachalovskiy, first deputy chairman of the Ukrainian SSR Council of Ministers. “Last year another 18 specialized trade enterprises were opened. We are extremely interested in the further development of a network of firm-name stores of the ministries and departments. After all, this stimulates the output of high-quality goods, including new types of items and expansion of their assortment, and helps to study the demand of the people more thoroughly. The development of firm-name trade promises a possibility of increasing the number of trade points, of which there are so far not enough: the shortage of trade sites is over 800,000 square meters.”

The decree of the USSR Council of Ministers grants the ministries and departments the right to construct and put into operation their own stores. They are not hurrying to make use of this right, however, preferring to handle the persistent requests to turn over already existing shops to them. The firm-name “point,” which the ministries report, appears, but after the change in the signboard, the trade areas are not increased, and are sometimes even reduced. For example, with the opening in Kiev of the firm-name store, “Orbit,” of the USSR Ministry of Communications Equipment Industry, on the base of the former Pechorsk Department Store, the

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trade area was reduced from 1200 square meters to 400. The rest are occupied by workshops, in which pre-trade testing of goods and their repair are performed.

The government of the republic is willing to transfer existing trade enterprises to the ministries and departments to organize firm-name stores, self-service stores and cafes. Meanwhile, we feel: this should not become the system. We offered some ministries and departments plots of land at large industrial centers to construct, with their own resources, specialized shops. The departments, however, under various pretexts, as a rule avoided solving these problems.

The UkSSR Council of Ministers considers turning over, for stores and public catering enterprises, the facilities of various offices and other organizations located on the first floors of the buildings to be one of the reserves for expansion of the network of trade and public catering. There are hundreds of such facilities in cities in the republic. About 20 percent of them have now been re-equipped. Active work is being done in Donetsk, Chernovtsy and Kherson oblasts. At the same time, the Zhitomir, Volyn and a number of other oblasts are doing a poor job of solving this urgent problem.

Planned for the next meeting of the Presidium of the UkSSR Council of Ministers is a discussion of how the republic is fulfilling the decree of the USSR Council of Ministers, "On Urgent Measures to Improve Trade Service for the Population."

#### Trade Official's Commentary

18270090 Moscow *PRAVITELSTVENNYY VESTNIK*  
in Russian No 7, Apr 89 (signed to press 30 Mar 89) p 6

[Commentary by N. Kotelevskiy, head of the Division of Trade and Paid Services of the Bureau of the USSR Council of Ministers on Social Development, on a report from the union republics]

[Text] The decree of the USSR Council of Ministers of 5 August 1988 "On Urgent Measures to Improve Trade Service for the Population" specified radical measures to accelerate the development of the material-technical base of the sector, improve trade organization, introduce advanced methods of selling commodities and raise the service standards for the population. The Bureau of the USSR Council of Ministers on Social Development examined and approved the plan for specific organizational measures to fulfill this decree. Particular attention was paid in this to more active use of new methods of economic operation, putting in order the work conditions of the trade enterprises and eliminating queues.

The work done by the ministries and departments, the Councils of Ministers of the union republics and local Soviet and economic organs on fulfilling the government

decree is yielding certain positive results, particularly where initiative and a creative approach to the matter are shown. The correspondence from the sites attests to this.

On the whole for the country, last year, for the first time in the last seven years, the goal for the total volume of retail commodity turnover was fulfilled. Its increase in actual prices was 25 billion rubles. This is almost triple that in the first two years of the current five-year plan. The sale of non-food commodities to the population rose by 8.2 percent, and of them, light industry items—by 5.1 percent, and goods for cultural-everyday and household purposes—by 11.7 percent. A noticeable growth was achieved in the sale of a number of food products, including meat and meat products, animal fat, tinned fruits and vegetables, potatoes and non-alcoholic beverages.

The plan for commodity turnover is also being successfully fulfilled this year. In the first quarter the overfulfillment was over 2 billion rubles.

At the same time, quite a complex situation has arisen. On the one hand, the goals for commodity turnover are being overfulfilled, and on the other—there are, as before, many reproaches from the population for the shortage of goods, the queues have not been reduced and the number of violations of the trade regulations is not being cut.

This is to a considerable extent because of the shortage of commodity resources. It is no secret that the requests made to trade for many commodities are far from being fully satisfied. In addition, the short supplies of goods according to contracts concluded are great. Suffice to say that in the three years of the current five-year plan trade has been undersupplied 40 billion rubles worth of products. Right now the commodity reserves have been sharply reduced, and are almost 9 billion rubles short of the norm. In practically all the basic commodity groups the remainders are lower than the norm.

Considering the tension that has formed in the market, the need for more complete satisfaction of the demands of the population for goods and the balance between supply and demand, the party and the government have taken a number of major measures to increase the commodity resources. They have been reported in the press. These measures specify an increase in the production of agricultural goods and a radical improvement in their processing. Priority development of production has been outlined for the output of consumer goods. In particular, group "A" enterprises, including the defense industry, have been widely drawn into this. A noticeable increase in commodity resources will be provided as early as this year.

The shortage of commodity resources, however, does not justify the situation that has been created in trade. Many shortages are caused by the low level of its organization.

It must be noted that in a number of places the struggle to combat violations of the trade regulations are being waged unsatisfactorily. Right now public control over the work of the trade enterprises is being intensified. The first results of the influence of the worker's control is at hand. We must not stop here, however; we must establish order with even greater energy and persistence.

It must be acknowledged that so far the problems related to establishing efficient, convenient work conditions at the trade and public catering enterprises are being solved extremely slowly. This is evidenced in particular by the results of the last survey made by USSR Goskomstat. This is true of almost all the trade enterprises, but particularly the specialized ones, dealing in furniture, building materials, cultural-everyday, household and sporting goods. A considerable number of them, as before, are open at 10 and 11 a.m. and close at 6 or 7 p.m., when the basic mass of the population is at work. Little is being done to improve the trade processes in stores and to establish order in shipping goods to the retail network.

In many regions the presence of queues at trade enterprises is related to the shortage of stores, dining halls and cafes. At the same time, the funds allotted to develop the material base of the sector are regularly unutilized. For example, last year the limit of state capital investments for the USSR Ministry of Trade system was only 90 percent utilized, and in Uzbekistan, Turkmeniya, Kirgiziya and Azerbaijan—only 65-80 percent. Work is being done very poorly to expand the areas through turning over to trade the facilities of the first floors of buildings now occupied by various institutions and offices.

It must also be noted that trade is still making poor use of its internal potentials to improve service to the population. Efficient maneuvering of commodity

resources could permit fuller provision of the buyers demands. At the same time, there are often cases of goods lying idle in some regions, while in others it is rare for a shopper to find them.

The reserves of public catering are not fully realized. In many regions of the country there is a shortage of even the simplest types of confectionery items, even though 60 percent of the specialized public catering shops operate on one or one-and-a-half shifts.

Trade has not yet become a barrier to the penetration of low-quality goods and those not in public demand into the retail network. Polls of the population show that many shoppers do not make purchases because of the lack of correspondence of the goods to contemporary styles, their unsatisfactory external appearance, and poor finishing. The low level of exactingness in trade is evidenced by the fact that, given the sharp reduction in commodity reserves in the retail network, there are still almost a billion rubles worth of items that are hard to sell, that stay in the stores in vain. All this indicates that the population demand must be better studied, it must be better predicted and the changes that occur in the economic system, the social sphere and the incomes of the population must be more fully taken into consideration.

In the solution to the problems facing the sector with respect to fuller satisfaction of the people's demands for goods and a rise in the service standards, the new economic mechanism and introduction of advanced forms of organization and wages should play an important role. The Bureau of the USSR Council of Ministers on Social Development recently examined the question of using brigade, lease and family contracting at the trade and public catering enterprises. Practical implementation of the decree adopted by the Bureau and the measures that it recommended, in our opinion, will activate the work done by the appropriate central and local organs to introduce new forms of economic operation, and will be an important lever in restructuring the work of the trade sector in consideration of the present needs and requirements of the Soviet people.

FUELS

**1988 Ukrainian Coal Production Figures Published**

18220119 Kiev UGOL UKRAINY in Russian  
No 4, Apr 89 pp 45-47

[Report: "The UkSSR Coal Industry in 1988"]

[Text] For workers in the republic's coal industry, 1988 was a year of thorough preparation for the transition of the enterprises, beginning in January 1989, to full cost accounting and self-financing. This predetermined the need, at mines, strips and enriching mills, to intensify the search for and use of internal production reserves, in order to increase its effectiveness. At the same time, constant attention was paid to fulfillment of the year's plan for coal extraction and product sale.

In 1988 the miners of the Ukraine extracted 191.74 million tons of coal, including 3.74 million tons above the plan. Most of the associations and enterprises coped

with the established goals for extraction (Table 1) and for product sale. A number of associations (Makeyevugol, Artemugol, Ordzhonikidzeugol, Selidovugol, Shakterskantratsit, Voroshilovgradugol and Stakhanovugol) failed to fulfill the plan for extraction. In these associations, the unsatisfactory work of many of the mines is generally the result of the lagging behind permitted in the development of the mining facilities, in the late or low-quality preparation of the stoping front and in the poorly presented economic and educational work.

Extraction in 1988 was reduced as compared with 1987 by the Donetskugol, Makeyevugol, Selidovugol, Shakterskantratsit, Voroshilovgradugol, Stakhanovugol, Pervomayskugol, Krasnodonugol, Antratsit, Rovenkiantratsit and Ukrzapatadugol associations. All this indicates that in 1988, as in the preceding years, the republic's coal industry worked with a certain intensity, which was caused not only by a deterioration in the mining-geological conditions as the mining work deepened and with shortcomings in labor and production organization and in material, equipment and spare parts supply, but also by lower rates of renovating and re-equipping the mines of the Donbass, most of which have not been modernized for over 20 years.

Table 1

Production Associations	plan, in thous. t.	Coal extraction actual, in thous. t.	% of plan	% for 1987
Glavdonetskugol	91,765	94,292	102.8	100.3
Donetskugol	20,425	20,732	101.5	98.6
Makeyevugol	13,395	13,030	97.3	97.3
Krasnoarmeyskugol	9,170	10,572	115.3	101.1
Selidovugol	5,615	5,513	98.2	96.4
Dobropolyeugol	7,500	7,725	103.0	102.3
Artemugol	6,935	6,825	98.4	101.4
Dzerzhinskugol	3,040	3,122	102.7	102.8
Ordzhonikidzeugol	5,205	5,169	99.3	100.7
Shakterskantratsit	3,785	3,558	91.8	91.0
Okyabrugol	7,905	8,461	107.0	108.5
Torezantratsit	8,700	9,586	110.2	103.8
Glavvoroshilovgradugol	60,205	60,093	99.8	98.3
Voroshilovgradugol	9,385	9,300	99.1	95.9
Stakhanovugol	7,015	6,636	94.6	94.4
Pervomayskugol	4,135	4,140	100.1	98.5
Lisichanskugol	3,620	3,623	100.1	100.4
Krasnodonugol	8,000	8,000	100.0	98.7
Donbassantratsit	7,520	7,729	102.8	—
Antratsit	4,265	4,266	100.0	—
Rovenkiantratsit	7,635	7,759	101.6	99.4
Sverdlovantratsit	8,630	8,645	100.2	100.2
Pavlogradugol	13,630	14,153	109.8	100.7
Ukrzapatadugol	12,880	13,403	104.1	98.4
Aleksandriyaugol	9,520	9,793	102.9	106.7
For the UkSSR	188,000	191,739	102.0	99.9

Underground coal extraction in 1988 was 185.51 million tons, or 101.9 percent of the plan and 99.6 percent of the 1987 level, and by the open method—6.22 million tons, or respectively 104.5 and 110.5 percent. Some 77.61 million tons of coking coal were produced, including 2.69 million tons above the plan. Some 3.01 million tons of coal were extracted by the hydraulic method, which is 5.3 percent less than the planned level. The ash content of the coal extracted was 29.4 percent, with the norm

29.4 percent, of dispatched coal—18.5 percent, with the norm 18.6 percent; as compared with 1987 data the ash content was reduced by 0.1 and 0.4 percent.

In 1988 the UkrSSR coal industry numbered 1543 stopings, with an average effective line of 238.68 kilometers (Table 2). A further decrease in the number of active stopes was recorded (88 less than the plan, and 49 less than in 1987). The stoping front was more intensively used.

Table 2

Production Associations	Number of active stoping faces	Average monthly advance of stoping faces, m	Average active line of stoping faces, in km	Average daily load at active stoping faces, t
Glavdonetskugol	898	32.5	137.07	273
Donetskugol	184	29.8	33.01	299
Makeyevugol	126	27.3	21.47	258
Krasnoarmeyskugol	38	59.8	6.83	827
Selidovugol	33	52.5	5.22	442
Dobropolyeugol	34	63.7	5.47	696
Artemugol	142	27.2	15.84	125
Dzerzhinskugol	68	22.8	8.31	113
Ordzhonikidzeugol	107	27.2	12.27	120
Shakhterskantratsit	37	24.3	6.71	263
Oktyabrugol	55	36.2	10.13	412
Torezantratsit	74	31.4	11.81	323
Glavvoroshilovgradugol	465	31.9	77.73	343
Voroshilovgradugol	69	38.5	10.65	370
Stakhanovugol	98	21.4	16.67	176
Pervomayskugol	39	25.9	7.14	290
Lisichanskugol	26	34.6	3.84	406
Krasnodonugol	54	35.9	8.42	378
Donbassantratsit	66	29.4	10.54	334
Antratsit	32	26.8	5.68	342
Rovenkiantratsit	43	37.2	8.17	475
Sverdlovantratsit	38	49.7	6.62	556
Pavlogradugol	68	62.0	11.32	555
Ukrzypadugol	97	48.6	11.33	469
Aleksandriayugol	15	54.3	1.23	691
For the UkrSSR	1,543	34.6	238.68	320

In 1988, as compared with the preceding year, the extraction volume increased from completely mechanized stopes, which was furthered primarily by fitting out the mines with equipment of a higher technical level—mechanized complexes 1KM-103, KD-80, KMT, etc., even though the volume of supplies and the quality of the machines does not yet satisfy production

demands. The republic's sector operated 647 completely mechanized faces, with an average active line of 98.47 kilometers and an average daily load of 524 tons of coal (Table 3). Some 115.15 million tons of coal were extracted by means of the complexes. The relative proportion of extraction from these stopes was 66 percent, which is 1.2 percent less than the plan, but 1.3 percent more than the 1987 level.

Table 3

Production associations	Number of active KMZ	Average active line of KMZ, km	Average daily load for KMZ, t
Glavdonetskugol	313	47.39	486
Donetskugol	70	12.49	514
Makeyevugol	31	5.68	523
Krasnoarmeyskugol	32	5.98	972
Selidovugol	19	2.87	523
Dobropolyeugol	27	4.62	783
Artemugol	37	1.97	140
Dzerzhinskugol	9	0.54	116
Ordzhonikidzeugol	17	0.99	134
Shakterskantratsit	7	1.33	361
Okyabrugol	27	5.05	560
Torezantratsit	37	6.46	457
Glavvoroshilovgradugol	190	31.36	550
Voroshilovgradugol	29	3.91	526
Stakhanovugol	10	1.89	347
Pervomayskugol	5	0.46	721
Lisichanskugol	15	2.10	528
Krasnodonugol	27	4.74	622
Donbassantratsit	34	5.50	442
Antratsit	10	1.73	480
Rovenkiantratsit	23	4.44	589
Sverdlovantratsit	37	6.60	559
Pavlogradugol	61	10.42	594
Ukrzypadugol	68	8.07	602
Aleksandriyaugol	15	1.23	691
For the UkrSSR	647	98.47	524

The associations having mines primarily equipped with mechanized complexes achieved a greater monthly advance of active stopes. For example, in the Krasnoarmeyskugol, Dobropolyeugol and Pavlogradugol associations, it was 60 m and more. At the same time, at the associations where thin beds are developed by the mines, the advance rates of the faces are considerably lower, for example, at Stakhanovugol, Dzerzhinskugol and Shakterskantratsit they are less than 25 m a month. This attests to the need to create and equip mines with efficient equipment to get coal from beds that are not very thick.

In the third year of the five-year plan, the plans for driving all the workings, including those done by the managerial and contracting method, were fulfilled by 102.6 percent, and for stripping and preparatory work—by 100.9 percent (Table 4). The relative proportion of preparatory working carried out with mechanized loading of the coal and rock (workings requiring loading are taken note of), however, was lower than the 1987 plan and indicator (Table 5). Because of the mines' insufficient provision with entry driving machines, and also because of incomplete utilization of those available, the level of combine driving fell by 0.7 percent.

Table 4

Production Associations	plan, km	total actual, km	Performance of preparatory working			% of plan
			% of plan	plan, km	stripping, preparatory actual, km	
Glavdonetskugol	1422.7	1476.5	103.8	1068	1077.5	100.9
Donetskugol	274.9	275.0	100.0	221.0	223.0	100.9
Makeyevugol	198.5	202.8	102.2	151.0	153.6	101.7
Krasnoarmeyskugol	88.1	94.2	106.9	82.3	88.3	107.3
Selidovugol	98.9	90.4	91.4	88.0	80.1	91.0
Dobropolyeugol	166.0	151.4	91.2	102.0	96.6	94.7
Artemugol	151.7	161.8	106.7	110.0	111.2	101.1
Dzerzhinskugol	80.0	91.7	114.6	52.0	53.1	101.1
Ordzhonikidzeugol	105.8	117.2	110.8	74.0	76.1	102.8
Shakhterskantratsit	56.8	66.3	116.7	38.5	42.8	111.2
Okyabrugol	86.7	92.5	106.7	69.5	69.1	99.4
Torezantratsit	115.3	133.1	115.6	79.2	83.5	105.4
Glavvoroshilovgradugol	873.4	877.2	100.4	642.0	642.1	100.0
Voroshilovgradugol	134.0	138.6	103.4	104.0	105.6	101.5
Stakhanovugol	150.7	151.5	100.5	113.9	107.5	94.2
Pervomayskugol	80.0	81.1	101.4	59.3	59.8	100.8
Lisichanskugol	60.0	59.9	98.2	54.2	54.4	100.4
Krasnodonugol	105.6	108.6	102.8	81.6	87.6	107.4
Donbassantratsit	97.7	102.2	104.6	58.4	59.3	101.5
Antratsit	53.4	51.4	96.3	36.2	37.9	104.7
Rovenkiantratsit	96.6	93.5	96.8	60.1	60.1	100.0
Sverdlovantratsit	95.4	91.4	95.8	74.4	70.1	94.2
Pavlogradugol	156.5	163.1	104.2	147.0	152.5	103.7
Ukrzapadugol	132.3	136.9	103.5	119.4	121.4	101.7
Aleksandriyaugol	33.0	32.8	99.4	30.1	30.1	100.0
For the UkrSSR	2617.8	2686.5	102.6	2006.5	2023.6	100.9

Table 5

Production associations	Relative proportion of workings made with mechanized loading of coal and rock, %			
	total	1988	1987	1988
Glavdonetskugol	85.0	84.0	35.5	34.5
Donetskugol	85.0	87.2	34.4	37.4
Makeyevugol	79.9	75.6	35.8	35.0
Krasnoarmeyskugol	96.6	96.7	78.1	78.1
Selidovugol	86.2	82.1	43.9	46.1
Dobropolyeugol	98.1	97.7	82.1	77.2
Artemugol	100.0	100.0	3.6	2.8
Dzerzhinskugol	100.0	99.6	1.4	1.3
Ordzhonikidzeugol	91.5	93.0	—	—
Shakhterskantratsit	53.1	52.8	11.0	10.2
Okyabrugol	73.2	70.5	39.3	38.5
Torezantratsit	65.0	65.3	7.4	5.5
Glavvoroshilovgradugol	77.1	76.2	15.0	14.3

Table 5

Production associations	Relative proportion of workings made with mechanized loading of coal and rock, %			
	total	1988	1987	1988
Voroshilovgradugol	86.1	82.9	27.1	21.2
Stakhanovugol	83.2	79.6	39.8	5.0
Pervomayskugol	72.6	69.5	16.5	15.8
Lisichanskugol	81.9	84.4	5.3	44.4
Krasnodonugol	88.0	88.2	26.1	28.0
Donbassantratsit	85.9	83.6	5.8	6.1
Antratsit	57.2	64.1	2.6	2.7
Rovenkiantratsit	54.9	54.7	9.4	8.3
Sverdlovantratsit	70.0	71.8	3.0	3.7
Pavlogradugol	98.5	97.3	96.9	95.8
Ukrzapadugol	87.2	86.3	67.2	67.7
Aleksandriyaugol	79.4	78.8	77.1	75.7
For the UkSSR	83.3	82.4	35.1	34.4

The volumes of coal processing at the enriching mills of the republic's coal industry are characterized by the data presented in Table 6. The sector's enriching mills processed 143.41 million tons of coal, and obtained 86.68 million tons of concentrate. As compared with the 1987

indicator, coal processing increased by 0.8 percent, and the concentrate output by 3 percent. The output of coal of lump and average-size classes increased by 1.2 percent, including anthracites by 0.7 percent. The production of coal briquets rose substantially.

Table 6

Indicators	plan, thous. t	Coal enrichment		
		actual, thous. t	% of plan	% of 1987
Processing run-of-mine coal at enriching mills	143,415	147,014	102.5	100.8
including for coking	57,850	59,445	102.8	100.7
Output of concentrate	86,682	90,014	103.8	103.0
including for coking	36,400	37,576	103.2	100.8
Output of lump and middle-size coal classes	22,055	22,439	101.7	101.2
including anthracites	14,800	14,756	99.7	100.7
Processing coal at units for mechanized sorting	12,015	12,432	103.5	104.1
Production of coal briquets	4,020	4,173	103.8	110.5

Great attention was paid to increasing production efficiency. The output of saleable coal per worker was 2.3 percent higher than planned and 3.4 percent higher than the 1987 level. The plan for labor productivity for an

extraction worker was fulfilled by 101.6 percent (Table 7). The average monthly labor productivity rose by 0.9 percent as compared with the 1987 level, and was 32.7 tons.

Table 7

Production associations	plan, t	Average monthly labor productivity per extraction worker		% of 1987
		actual, t	% of plan	
Glavdonetskugol	27.6	28.0	101.4	101.1
Donetskugol	23.3	23.3	100.0	100.0
Makeyevugol	26.0	25.1	96.5	98.0
Krasnoarmeyskugol	44.1	48.6	110.2	101.9
Selidovugol	29.4	27.8	95.9	95.9
Dobropolyeugol	41.1	43.9	106.8	104.5
Artemugol	22.3	22.2	99.6	103.3
Dzerzhinskugol	19.3	20.2	104.7	104.7
Ordzhonikidzeugol	22.1	21.7	98.2	101.4
Shakterskantratsit	26.5	23.7	89.4	94.0
Okytabrugol	36.4	39.2	107.7	107.4
Torezantratsit	30.4	32.3	106.3	103.5
Glavvoroshilovgradugol	31.6	31.8	100.6	99.7
Voroshilovgradugol	29.2	28.9	99.0	97.6
Stakhanovugol	20.2	19.2	95.0	96.5
Pervomayskugol	26.9	28.1	104.5	101.4
Lisichanskugol	25.6	25.8	100.8	100.0
Krasnodonugol	34.1	35.0	102.6	100.9
Donbassantratsit	35.3	36.0	102.0	100.3
Antratsit	33.4	33.6	100.6	99.7
Rovenkiantratsit	44.2	45.1	102.0	99.6
Sverdlovantratsit	45.2	45.2	100.0	100.0
Pavlogradugol	52.9	53.8	101.7	100.4
Ukrzypadugol	50.4	52.4	104.5	98.1
Aleksandriyaugol	99.0	102.8	103.8	107.0
For the UkrSSR	32.2	32.7	101.6	100.9

The mines introduced advanced forms of organization and wages, including brigade and collective contracting. Consolidated brigades were created, which included time-rate workers and engineering-technical personnel for the extracting sections.

In January-November 1988 the production cost of 1 ton of coal was 11 kopecks lower than the plan, and the profit plan was fulfilled. The transition of the enterprises to cost accounting and self-financing, however, requires further searches for ways to make the coal less expensive. This is particularly important for the associations which in 1988 permitted a rise in the production cost of coal as compared with the plan and made poor use of the economic stimuli of production development.

The assignments for conservation of material and fuel-energy resources were fulfilled for the three years of the five-year plan. Some 102,400 tons of rolled ferrous metal, 65,900 tons of cement, 281,400 cubic meters of timber materials and 10,500 tons of diesel fuel were conserved.

The planned capital investments for 1986-1988 were utilized by 98.4 percent, the plan for construction-installation work was fulfilled by 101.4 percent; for objects for production purposes, respectively by 100 and 104.4 percent. The second section of the Komsomelets Donbass Mine, with a capacity of 750,000 tons of coal a year and the first section of the Konstantinovskiy open pit, with a capacity of 700,000 tons of coal a year, were turned over for operation. Renovation of the Mine imeni 27th CPSU Congress and the Krasnokutskaya, with a capacity increase of 450,000 tons, was completed. Through carrying out measures for re-equipment, the capacities of the 22 active mines were increased by 2,060,000 tons.

Implementation of the social program is becoming important for successful development of the coal industry. For the three years of the five-year plan, 2,410,000 square meters of housing, hospitals for 1140 beds, polyclinics for 1,165 visitors, dispensaries for 782 places and new preschool institutions, schools and pioneer camps have been turned over for operation.

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## ELECTRIC POWER GENERATION

### Feasibility of Underground AES Construction Discussed

18220130 Moscow SOTSIALISTICHESKAYA INDUSTRIYA in Russian 21 May 89 p 4

[Article by Doctor of Technical Sciences Nikolay Nikolayevich Melnikov, director of the Mining Institute of the Kola Scientific Center of the USSR Academy of Sciences, under the rubric "Reader's Inquiry": "An AES Underground"]

[Text] Today, not a day passes without stunning news. They are closing nuclear power plants left and right, for example. At the same time they are saying that nuclear power will be further developed as well. And now they are hatching plans to drive the power units underground. But isn't a nuclear explosion dangerous anywhere?

V. Listaforova, Moscow.

We asked the director of the Mining Institute of the Kola Scientific Center of the USSR Academy of Sciences, Doctor of Technical Sciences Nikolay Nikolayevich Melnikov, to answer our reader's inquiry. This is what he said:

Readers are probably interested in what attitude our institute has toward nuclear power. A most direct one. It is namely we, with experience in such planning, that the USSR Council of Ministers has entrusted with analyzing the safety, preservation and technical and economic specifications for the construction of underground AESs (PAES).

What has brought forth this charge? The well-known unfavorable public opinion of AES facilities after the Chernobyl accident. By the way, the alarm and the displeasure are well-founded. The level of geological and engineering research on locations for plants is still too low. Some of them, as is well known, are "seated" in the zones of faults, karsts, seismically active places or densely populated regions. Which has served as the reason for a number of government decisions to close or retrofit AESs. It is understandable that this has hit and continues to hit our economy very strongly. But the life and health of people is more important.

But what then, declare war on nuclear power to the final end, as too many hotheads are demanding? That would not make sense. There is just one way—we must seek out the most reliable solutions for new-generation AESs. One such solution has been proposed by our institute. After having made a study beforehand of the work of a number of planning and research institutes and all-union and

republic academies of science as well as existing foreign experience in the erections of PAESs and over 30 projects in the United States, Canada, Japan and the Scandinavian countries.

It is natural that the task of maximum safety has been made of paramount importance. It should be ensured by methods that do not depend on any attendant factors that we have not learned how to control (accidents, natural disasters, sabotage etc.). The underground placement of an AES creates just such an opportunity. The idea had no sooner arisen than opponents did as well. The nuclear genie, they say, also behaves unpredictably when chased back into the bottle. Try and calm it in a crisis... What can you say to that? The apprehensions are absolutely unfounded. We have calculated repeatedly that a rock massif at a depth of plant placement of 50 meters is hundreds of times more safe than the reinforced-concrete structural elements of surface facilities.

The next argument of the skeptics: The underground version will ruin an already meager state treasury. These voices are also not raised without "pre-heating" by information from one of the planning institutes. According to its studies, a doubling of costs is required. But why, say, put the whole plant underground? It is enough to cover up the most dangerous part—the reactor section with the protective systems. Naturally after having envisaged all possible means of localization of the by-products of a possible accident—traps and special coverings for the services lines going under the surface.

We obtained extremely encouraging results by running special programs for solutions for these tasks using powerful computers. The danger of radioactive emissions into the environment in an accident can be reduced to zero in principle. As for the capital spending, the calculations revealed a 10-15 percent increase in costs compared to a surface version. And even that's a matter of how it is counted. If you include the cost of burying surface structural elements, then it could be said that a PAES costs incomparably less. Some 5-10 times!

What attracted us to the underground version? The possibility of augmenting the capacity of nuclear power engineering in parallel with the creation of safer reactors of a new generation. The ecologically clean production of power is ensured at the same time, while the nourishing environment for radiophobia, that is, the psychological "allergy" to such facilities, is eliminated.

Our studies have passed through no few inspection filters. Specialized commissions, councils of the USSR and UkrSSR academies of science, institutes, agencies and independent major scientists all feel that a fundamentally new safety system in nuclear power engineering is being created at the existing level of technology with the construction of a PAES.

## CONSERVATION EFFORTS

### Industry's Careless Attitude Toward Energy Conservation Criticized

18220129 Moscow SOTSIALISTICHESKAYA INDUSTRIYA in Russian 7 May 89 p 1

[Article by I. Fedorov under the rubric "In the Mirror of Statistics": "Millions into the Air"]

[Text] There exist undoubted priorities in economics. One of them is the economy of energy resources. It used to be that whoever used more power was richer. Today it is the other way around—the more you burn, the poorer you get.

An energy crisis forced the West to understand this new truth. The United States, for example, reduced the energy-intensiveness of its national product by one and a half times from 1970 through 1985. The world crisis was not convincing enough for us, and we continued to increase power consumption during that time. The growth in proportionate power expenditures was camouflaged by the rise in prices, which was not taken into account by official statistics.

It is a curious detail that the increases in energy intensiveness are proceeding against a background of the uninterrupted fulfillment of "targets for energy economy." A miracle? Of course. But a planned economy has no shortage of them. Otherwise how could the total economy of fuel and power resources be "higher than the targets of the state plans," as reported by USSR Goskomstat [State Committee for Statistics], but "lower than the targets envisaged by the five-year plan"?

An experienced planner, of course, knows how miracles are made. The five-year plan is simply not tied to the yearly planning.

Why is industry, which is the largest consumer of energy, not rushing to convert to the energy-conserving path of development? After all, even the power workers themselves—USSR Minenergo [Ministry of Power and Electrification]—are not fulfilling the plans for conservation. The answer is simple. The power is almost free. Industry

pays less for it than a citizen of the USSR taken separately. Why not waste it? But it is free only on paper. Industry allots just seven percent of production expenditures for fuel and power. The national economy, on the other hand, "coughs up" some 30 percent of capital investment for the power workers overall. When in other countries the sector share of capital spending jumps to analogous limits, prices for its output soar to five or six times! One wants to economize involuntarily.

This long-preserved high share of the sector in capital spending is a bad sign. Notwithstanding the enormous expenditures, over 40 percent of the fixed assets in the power sectors are worn out. Deadlines for the start-up of power capacity are missed. Progressive technological processes and economical equipment are being incorporated to an inadequate extent.

Just 27 million, or 66 percent, of the target of 40 million kilowatts of power capacity at electric power plants envisaged for the 1986-88 period has been put into service. And that means that ancient and worn-out power units—devouring fuel—remain in service. And how can it be otherwise—the requirements must be satisfied!

The utilization of secondary power resources is not increasing. That is, those resources that are wasted in the use of conventional technology. It thus obtains that we waste much and the result is modest. The technocratically inclined power workers call for the production of even more power. Build some new AESs [nuclear power plants]. Lay new gas pipelines. But wouldn't it be cheaper to conserve power? Process and utilize it more efficiently? Losses from the direct overconsumption of fuel and power totaled about 500 million rubles over 1986-88 alone. Couldn't we put money to better use than heating the atmosphere?

Only economically accountable commercial accounting can force industry to economize. The money and kilowatts must be counted. But it is clear even without any calculations that we can judge the success of economic reforms objectively by the behavior of energy-intensiveness indicators. The more we economize, the richer we will be.

**Bunich Supports Less State Regulation of Co-ops**  
18280131 Moscow  
MATERIALNO-TEKHNICHESKOYE  
SNABZHENIYE in Russian No 4, Apr 89 pp 20-23

[Article by P. Bunich, corresponding member of the USSR Academy of Sciences: "Is It Necessary to Regulate Cooperatives in This Way?"]

[Text] Mistakes are inevitable in the search for new solutions. The more profound, the bolder, the larger the scale and the faster changes are implemented, the greater the absolute number of blunders. But there should be no fear of them and no panic. The worst alternative to blunders is stagnation. But if the price of failure absorbs the effect of achievements, this is also stagnation, supplemented by promises, hopes, disappointments and new tensions. Hence the necessity of overcoming the stagnation and of minimizing mistakes. There are possibilities for resolving the problems: the elaboration of a new concept for development and a fundamental and comprehensive study of all specific landmarks of the movement toward specific objectives. Most vexing of all is the pure "dross," that is, mistakes, frequently repeated, and the stubborn movement toward the old dead ends.

When the state sector instead of the so-called "first and second models" of cost accounting finally begins to shift to leasing and attains full independence and, along with it, responsibility and incentives, this is an example of the radical overcoming of distortions and disinformation under socialism. When they understood that the special encouragement of the performance of contracts paid for through state income and not that of enterprises and consumers helps only to minimize plans (especially together with special penalties for not meeting them) and did away with this disorder, such a step toward overcoming one's own blunders can be considered the capability of the system for development. Analogously, the recently reintroduced and recently again abolished preferential distribution of above-plan profit encourages the lowering of plans. The murderous tax law on cooperative workers was very soon repealed—still another instance of the correction of errors, I would say, of a sober assessment of the reforms, objectivity, wisdom and persistence in moving forward and not of stubbornness in the defense of the honor of the uniform. The relapse into excessively critical methods in the struggle with those who think differently, which was given the conditional name of "Nina Andreyeva," was adjusted in time to the level of truly democratic and pluralistic discussion. In this way, a way has been found out of the zigzagging to the general path of perestroika.

But there are examples of another kind. In place of the huge associations, they established supergiants—GPO [expansion not given]. They were abolished. A short time later, interbranch complexes arose, in particular Energomash and Tekhnohim, which can be compared with mini-ministries.

The line that they took was to call the old new and to transform decorations into declamations. This is what happened in the first year of the operation of the state orders, a new category completely filled with the previous content of the state commands. Public opinion was outraged. For the next (current) year, a "different" state order has been introduced. In fact, it again turned out to be a state command. This is a double mistake. Prices, understandably, will depend not so much on the State Committee on Prices as on the situation in the country. But the committee was established for active policy and not to rubber stamp the proposals of enterprises. What kind of policy is it here if, as I have already written, the new methods of price setting rely on the old expenditure basis, as a result of which output is becoming steadily more costly, even when its quality is declining? Conforming to expenditures, prices are rising for agricultural equipment, fertilizer, meat (through the renaming to cooperative), etc. All records have been broken in the acceleration of price rises and in the art of assertions to the contrary. Realizing that inflation is attaining a dangerous nature, committee chairman V.S. Pavlov declared the enterprises guilty of numerous price markups, although the markups were introduced by the State Committee on Prices itself. The administrative revocation of most of them will not change the general trend, since the projected price reform will produce their next upward jump.

And here is a new subject for astonishment: the government decree of 29 December 1988 with the modest title "On the Regulation of Individual Kinds of Work of the Cooperatives in Accordance With the Law of the USSR 'On Cooperatives in the USSR.'" It is enough to read the appendix to this decree to recognize that a very large part of the cooperative sector is called "individual kinds of work"! Our attention is caught by the reservation: in accordance with the law. As though everything that is now being done in the country must conform to the laws and does not need constant repetition. It was heard here, evidently, because the authors of the document thereby wanted to prevent the possible reproach of public opinion.

The decree begins with the assertion that it regulates cooperatives in accordance with articles 3 and 54 of the Law on Cooperatives. Before looking at these articles, we will present excerpts from others, for the decree must conform to the law in all articles and not just in some. Article 1 reads: the state does everything possible to support the cooperative movement and aids in its expansion. Is it legitimate, however, to consider the closing of cooperatives to be their comprehensive state support? One involuntarily thinks of a rope, which supports someone in the same way. And since when can a constriction be viewed as identical with an expansion? The concepts were previously considered polar, diametrically opposed. The introductory part of the law asserts that it is aimed at the "equal interaction of the state and kolkhoz-cooperative sectors." The decree introduces a long list of kinds of activities that the cooperatives have

a right to deal with only on the basis of contracts entered into with enterprises, organizations and institutions for which these kinds of activities are basic. In other words, the work of the cooperatives is made dependent upon the agreement of higher suzerain. In many cases, I think, they do receive such agreement. For good relations, services, bribes in their own pocket—the equivalent of bureaucratic rackets (in addition to the existing extortion of "individual" local bodies, police, epidemiological stations, fire department, architect's service, energy suppliers, etc.). But is it admissible to assess the relations between the worker and boss as equal? I see the relations between bosses as equal only when all are such and no one has the privilege of determining what is good and what is bad.

Now about the articles to which the decree refers. Article 3 states: "A cooperative has the right to involve itself in all kinds of activities with the exception of those forbidden by law." In principle, one cannot object to such a formulation. There are kinds of activities that are inadmissible for cooperatives (just as for the state sector, by the way). No one may manufacture weapons, ammunition, narcotic and toxic substances, organize and maintain gambling establishments, operate games of chance, accept bets on various contests, produce and utilize registered trademarks and company names, or issue orders, medals, seals and stamps (other than special enterprises empowered to do so). It is natural that neither cooperatives nor the state sector has the right to produce and sell output for public dining under conditions that do not meet sanitary requirements or to use food additives that are forbidden by sanitary standards and rules. The prohibition against using someone else's company marks, against deceiving consumers through false advertising and against selling goods with hidden defects could be added to this list. For some reason, such restrictions are not being introduced. And that is too bad. Without them, distortions arise in the national economy, production and turnover that discredit the new economic forms.

On the other hand, prohibitions appeared that are superfluous and unfounded. It is not permitted, for example, to produce medicines. Why? If they conform to the allowed licenses, the medicines produced by cooperatives can very well compete with drugs issued by the state sector. They will frequently even be better, not to mention the benefit from supplementing our poor medicinal stocks or the positive influence on competition.

The production of wine and spirits was forbidden. There is a traditional state monopoly here. But what, you may ask, is wrong with having such products produced by cooperatives under an approved formula? Not for sale, but to be turned over to the state. Or even for sale at state prices with the payment of a turnover tax to the treasury? Instead of the meager uniformity in the output of wine and spirits, it will have some diversity. In practice, it

appeared long ago, only underground, with no verification of quality, to the detriment of the health of consumers and to the benefit of those acting in shadow economy.

The crossing out of publishing activities is controversial. We have a dearth of literature. There is a shortage of capacities, paper and publishing houses. It is difficult to get through the palisade of existing relations and stereotypes. And here are cooperatives that adapt cellars into printing shops, repair or lease unused capacities in their spare time, organize the reprocessing of waste paper into usable paper and put new names in the book market. It would seem that all of this is a worthy phenomenon rather than a stagnant one. But no. Close what is open and in the future do not open! The only serious argument is the departure of cooperatives from ideological publications. But there is an even more healthful way out—the stimulation of these publications through an advantageous state order.

A taboo has been placed on the production and circulation of movie and video output and on the corresponding foreign economic activities. It is said that cooperative members are producing forbidden subjects and are illegally circulating foreign video rolls. Not just cooperative members are doing this. And such work should be forbidden. Such work but not everything. The realization of the decree will restrain the overcoming of our huge deficiency in the satisfaction of the needs of the population for movie and video films and will strengthen the existing state monopolism with all of its harmful consequences.

The state does not produce icons, church utensils and objects of religious symbolism and attributes. At this time, cooperatives may not issue them either. The entire "weight" of such work lies on the church and on people whom it has the right to involve in its own production. Where is the advantage? And if there is none, what is the sense of the measure taken?

Still, life is strange here. The kettle drums had not stopped sounding in connection with the first cooperative schools when the committee on education comes out in favor of the freedom for methods of instruction selected by the teacher and then there is a decision on the inadmissibility of the organization of schools of the general-education type by cooperatives. Some say: the cooperative members do not teach correctly. This argument is not convincing. Poor instruction will result in the disappointment of the student, who will leave on his own and cause others to be on the alert. Another argument amounts to the fact that there will be a stratification between children from more and less secure families. As though such stratification does not exist anyway and on a major scale. The differentiation in income that is taking place does not diminish the gap but widens it.

In concluding the conversation on prohibitions, I would also like to draw attention to the fact that in accordance with the law they are established by legislation. But here is a decree that, as you know, is not the same thing at all.

A significant part of the work of the cooperatives has been put under the control of contracts with state and public enterprises. The manufacture of perfumes and cosmetics and household chemical products fell under this category, although the observance of the rules for their production (the same as for the state sector) is adequate to ensure the necessary quality. The same thing can be said about the manufacture of duplicating and copying machines and about the production, circulation and sale of phonograph records and magnetic recordings. The lecture work of cooperatives was also contractual. Thus, it is *a priori* considered less trustworthy than that of VUZ's and the society "Znaniye." They introduced numerous prohibitions on part of medical assistance and restrictions on everything that is not prohibited, although in the text of the law it is referred to as being among those permitted without any restrictions (also in Article 3). Even before the decree under consideration, the USSR Ministry of Health issued an order prohibiting medical cooperatives from utilizing expensive state diagnostic equipment, which is always expensive. At the same time, a survey of the population using the services of cooperatives revealed that more than 80 percent evaluate their work as positive. Let physicians, skilled workers who make and repair articles from amber, and artists, whose cooperatives have been included in the orbit of the Ministry of Culture, give their opinion on this and other areas in the regulation of cooperatives.

In conclusion, about Article 54. It is the last article, the smallest and seemingly inconspicuous. The article states that the special features of the application of the Law on Cooperatives in individual branches of the national economy and individual types of cooperatives are determined by the USSR Council of Ministers. When the law was still a draft, I was present at a number of discussions of it. It happened that their participants came out vigorously against some nebulous points, seeing them as a loophole for subsequent use against cooperatives. They said that it is extremely negative if a law, like cheese, is full of holes. Such suspicions seemed groundless to me. I thought that the ambiguous positions do not mean the worst but should be understood only in the most progressive sense. But some one knew what he was doing. From the normal presumption that the Law on Cooperation in individual branches and kinds of activities must take into account their special features, the significance of which consists in specifying from the general to the specific, detailing and overcoming cliches, there arose, as has now become apparent, the right to make fundamental changes in this law. The skeptics and pessimists turned out to be right. More accurately, not even they foresaw such a turn of events. Whereas the law assigns "special features" to the national government, the decree passed "in accordance with the law" for the first time grants this same right to the councils of ministers of the union republics, which can introduce new restrictions if necessary.

The fact that such substantial corrections to the cooperative structure have been made without their preliminary discussion in the spirit of glasnost is another mistake.

Where does such a hard line in relation to cooperatives come from? What is the real state of affairs? I think that it is the high income of cooperatives per unit of time, which exceeds earnings in the state sector several times over. It is caused, in the first place, by the significantly greater interest of cooperative workers in labor and its higher productivity, enterprise and flexibility in the renewal of production and by decisions involving search and risk, when striving takes the place of the notorious "introduction." It has to do, in the second place, with the apathy and inability to compete of the state sector, with the hidden transfer of its funds in favor of cooperatives (it is sufficient to bring to mind the exorbitant prices that state enterprises pay for cooperative services and the resale of many kinds of primary and secondary raw materials and equipment to cooperative members at dumping prices), with a sluggish and primitive tax policy in relation to cooperatives, with a bureaucratic suppression of their activities, and with the rise of cooperative monopolism. Cooperatives do not make payments for manpower resources and are freed from the payment of a turnover tax.

In response to approximately the same assertion that I made in OGONEK, I received letters from cooperatives, in which they assert that they are not "robbing" but being robbed: they are being sold of the means of production at prices with higher ratios, they are completely refused many means of production and even forbidden to make purchases in state stores and are forced to answer within the limits of the cost of the entire property (no more, as a rule, than church mice have) and not cost accounting income, as in the case of state enterprises. There are more and more frequent cases in which cooperatives are asked to leave the premises that they are leasing. All of this does indeed infringe upon the cooperatives but...it does not enrich state enterprises, does not give them advantages and does not transfer cooperative income to their pockets, for in the framework of the contemporary financial system the "surpluses" that arise in state enterprises are automatically skimmed off by the budget, whereas the "shortfall," on the other hand, is covered by it. As a result, whatever privileges the state sector may receive, they do not threaten it with anything good and do not yield any increase in earnings. The cooperatives, when they are not "pinched" and are working actively, have changes for success. Even for undue success. Especially at the expense of the state sector, which is more generous about spending money than the individual consumer or cooperative.

What should be done? The tactics must conform to the strategy and not contradict it. For this reason, one cannot heal today's sore points while forgetting about the ideal and one cannot build new cooperatives through the

administrative-coercive means of repression that have long and repeatedly demonstrated their hopelessness. When cooperatives are closed without any justification, the investments made in them are lost to some degree or other. Losses appear from the unique expropriation and nationalization and a general uncertainty arises about tomorrow that paralyzes any interest in future savings, technical progress and the permanently operating forces of gradual economic development. This is fraught not only with the curtailment of the cooperative reform today but also with the loss of confidence in it by potential participants in the movement.

The following are the main directions in overcoming the negative aspects of the activities of cooperatives: revival of the state sector to the same level of interest that the cooperatives have; equalization of all preconditions for the work of state and cooperative enterprises (taxes, prices for raw materials and finished goods, conditions of supply, etc.) and, finally, forcing of cooperatives.

But for producers not only to hear sanitary and other admonitions but also to obey, it is necessary to have the same competition and state, consumer and general cooperative control, for the unmasking of one machinator undermines the prestige of any system.

Under these conditions, no one can live at the expense of another. All will be capable of working effectively and making good earnings. Competition will emerge. At the same time, the problem of stimulatory high income will be removed. I believe that this approach corresponds to the imperative formulated by M.S. Gorbachev "to work more intelligently with cooperatives" and to take into account the experience in its development in Russia in the first years of Soviet authority, in the socialist countries, in Sweden and Norway, where the management of cooperative production had and has economic methods as its foundation.

It seems that it is still not too late and not shameful to learn about and consider the entire diversity of opinions in our society, including of cooperatives, on measures to regulate "individual kinds" of their activities.

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**Co-Op Prices, Tax Structure Clarified**  
18280132 Moscow *EKONOMICHESKAYA GAZETA*  
in Russian No 15, Apr 89 pp 13-14

[Article by A. Glushetskiy, leading scientific associate: "Cooperatives: Prices, Taxes"]

[Text] The most acute social problem in the scope of the cooperative movement is the setting of prices for goods and services. The right of cooperatives to set the prices for their own output chiefly independently under the conditions of the current shortage of consumer goods and services resulted in essentially monopolistic price

increases. The population was practically defenseless in the face of the dictates of the cooperatives. About 70 percent of consumers consider cooperative goods and services prohibitively expensive, even though they are experiencing a shortage of many of them.

Thus, the Minsk construction cooperatives estimate the cost of building a country cottage at 7,000 rubles, whereas it is 4,000 to 5,000 rubles in a building repair administration. Covering with tiles cost 8 to 9 rubles per square meter in cooperatives and 4 rubles in a building repair administration.

Many medical cooperatives that lease diagnostic and other equipment from therapeutic institutions are setting incredible prices. The cooperative "Tselitel" established on the basis of the polyclinic of the All-Union Physical Culture Institute set the payment for an X-ray examination of the gastric tract at 56 rubles and at 106 rubles for an ultrasonic examination of the internal organs. There are 80 auto repair cooperatives in Moscow and Moscow Oblast in which the prices for services average 50 percent higher than those on the price list, although they use state spare parts.

In most cooperatives for public dining, price markups on meals were as much as 300 percent of their calculated cost. In Moscow, these cooperatives received 2.7 rubles in earnings for each ruble spent for raw materials. There are other such examples. There are, of course, cooperatives that provide services to the population at state prices but they are still extremely few.

The situation must now change. In the decree passed by the USSR Council of Ministers "On Measures to Eliminate Shortcomings in the Practice of Price Setting," questions in the setting of prices for the output of cooperatives occupy a special place. The basic idea is the establishment of measures for an economic influence on the level of cooperative prices with the objective of bringing them closer to state prices for analogous kinds of output, goods and services. For this purpose, provision is made for priorities in material and technical supply, the extension of credit, and tax and other benefits in the sale of products and services at prices and rates no higher than those of the state. These measures must interest the cooperatives in fulfilling state orders, producing output and providing services under contracts with enterprises and organizations.

It is planned to establish maximum markups on the output of cooperatives for public dining taking into account the level of service and corresponding to the size of the markups applied by state enterprises for public dining.

Does such a measure conform to the Law on Cooperatives in the USSR? It can be asserted conclusively that it does. Despite the point of view widely propagandized by many that in questions of price setting the Law on Cooperatives in the USSR supposedly sets forth the

principle of unlimited free contractual prices on cooperative output, the actual content of the corresponding article of the law is something else. Article 19, "Prices and Price Setting," does not begin with Point 2 that talks about contractual and independently set prices but with Point 1, which states: "Prices and rates for the output (work, services) of the cooperative must reflect the socially necessary expenditures for the production and sale of output and take into account the consumption characteristics and quality of goods (work, services) and consumer demand. They must be formed based on the mutual interests of cooperatives as well as consumers and the national economy as a whole...."

Both of these points have equal juridical force. The right of cooperative workers to set prices independently is not absolute but has its objective limits. The level of free prices is strictly regulated in the law by such parameters as the quality of goods and services and socially necessary expenditures for their production and by the interests of consumers.

Still open is the question of prices for state products that have gone through a certain finishing in cooperatives to diversify their qualitative and artistic characteristics. Such products are sold at freely set prices, which gave rise to the massive spread of essentially speculative forms of activity.

Cooperatives buy up in retail state trade finished sewn, knitted and other goods in great demand, apply to them applique, emblems and designs and sell them at prices several times higher. Thus, T-shirts and jerseys with symbols are sold at a price that is five to eight times higher than the initial price. Scarce tape cassettes bought wholesale are sold at two or three times the price after musical programs are recorded on them.

The natural question arises: Why do these items not fall under the position of Point 3 in Article 19 of the Law of Cooperation in the USSR as products that are manufactured from raw and other materials delivered to the cooperative from state reserves and that must accordingly be sold at centrally set prices?

The development of cooperatives is usually seen as an alternative to departmental monopolism. Many of them, however, often appear as only another manifestation of monopolism that makes it possible to raise prices legally. It is a matter of those cooperatives that arise in place of or on the basis of state enterprises not for the purpose of the supplemental production of goods and services but with the goal of selling the output of these enterprises at higher contractual prices. Among them can be included two-thirds of the cooperatives in public dining, practically all stage and entertainment cooperatives and a significant part of cooperatives for the production of baked goods and confectionery products as well as project-planning and engineering-assimilation cooperatives.

Planning and assimilation cooperatives arise under state organizations, integrating their employees. And these organizations are frequently monopolists in their sphere of activity. They themselves determine how many orders they will carry out as state institutions and how many as a cooperative at higher prices. It is obvious that no competition arises here, unless one means competition among themselves for greater income.

Competition between cooperatives of this kind and state enterprises can arise only under one condition, namely that they work under unified prices, which will force them to operate more efficiently and to reduce production expenditures.

The operative system for taxing cooperatives and the workers employed in them has become an extremely acute problem that is of concern to the cooperatives as well as to the broad public.

According to the law, cooperatives pay two taxes: a tax on income (profit) and a tax on the personal incomes of workers.

Prior to the time that the ukase of the Presidium of the USSR Supreme Soviet "On the Income Tax on Cooperatives" of 23 February 1989 went into effect, the tax on the income of the cooperative was levied as follows: 2 percent in the first year of its existence, 3 to 5 percent in the second year and the maximum level of deductions was supposed to reach 10 percent in the years after that. The tax on the personal income of workers was levied at the same rate as for workers in the government sector.

As a shortcoming of this system, mention was usually made of the circumstance that lower tax rates were set. As a result, cooperatives participate in the formulation of the state budget less than state enterprises. Yes indeed, the level of taxation of the incomes of cooperatives is substantially lower. State enterprises pay an average of 50 percent of their profit, or 20 percent of gross income, to the budget. In 1988, payments to the local budgets from cooperatives amounted to 40 million rubles for the country as a whole—about 1 percent of the income of all cooperatives in the country. This is less than one-third of receipts from persons employed in individual labor activity. But if these privileges are seen as temporary and granted to the cooperative in the most critical period of its formation, then the low taxation cannot be considered a deficiency. Such a form of support for an incipient movement is a very natural phenomenon.

The problem is something else. By virtue of the imperfection of the tax system as whole, the indicated privileges did not produce the expected positive results but, on the contrary, appeared as a factor increasing the social tension in the society.

In the first place, despite the requirements of Article 21, Point 4 of the Law on Cooperatives, the taxation does not encourage the cooperative to choose effective directions of work and structures and technologies of production. A uniform nondifferentiated tax on the gross income of the cooperative is only a very simple measure for redistribution and not an instrument of active economic policy.

Today a uniform tax is paid both by the cooperative receiving high income through the monopolistic raising of prices and by a cooperative operating at state prices but having achieved a substantial reduction of production costs. A uniform tax does not reflect either the efficiency or the social significance of the activities of cooperatives and does not effect their results.

In the second place, the current system of taxation does not stimulate production and social accumulation. In no way does it oppose the opportunistic striving of many cooperatives to transform the maximum part of income into a wage fund. Of each earned ruble, 70 to 90 kopecks are transformed into personal income and only an insignificant part is put into the development of the material base of production.

The following data indicate the degree of increase in the share of the wage fund in the income of cooperatives in comparison with analogous state enterprises. Thus, cooperatives for the production of consumer goods produce one-seventh the output per ruble of wages that enterprises in light industry do. At one of the Moscow cooperatives for the production of sewn goods, for example, the output per worker is 760 rubles per month and the wage reaches 600 rubles, whereas in the state sewing association "Start" the wage is only 216 rubles with an output of 1,400 rubles.

Such a situation came about because the most important position of the Law on Cooperatives is not being realized, in particular Point 2 of Article 21. It unequivocally stipulates that the tax rates for the personal income of members of the cooperative and persons working in it under a labor contract are set in accordance with a progressive scale. The meaning of the progressive taxation is not to take income away from the cooperation but to prevent the unjustified redistribution of assets to the wage fund to the detriment of the tasks in the development of production. The law states that the progressive tax is being introduced to ensure an economically expedient relationship between the means that the cooperatives put into production and social development and wages.

The violation of the principles for the reasonable regulation of incomes meant that the financial privileges in taxation and credit were aimed not at accelerating the development of the material base of the cooperative sector but at an unjustified increase in personal income, which intensifies the property statification. Thus the average monthly wage of Moscow cooperative members

last year was about 700 rubles, which is two or three times the average wage of the workers performing the most intensive, physically demanding and adverse labor at state enterprises. Let us recall that the average monthly wage of a worker in the national economy as a whole is 217 rubles.

The operative system of taxation of cooperatives is extremely inefficient and does not correspond to the requirements of the Law on Cooperation. One of the Mogilev cooperatives produces output that is not labor intensive—adhesive appliques—from the raw material stock acquired from state enterprises and sells it through the kiosks of "Soyuspechat." In the first half of 1988, profitability exceeded 800 percent and the income was 247,000 rubles, of which more than 70 percent went to wages. The average monthly wage reached 11,000 rubles. The cooperative paid a tax amounting to 2 percent of income and the cooperative members paid 13 percent tax on their personal income. It is apparent that taxation does not prevent the unjustified raising of prices or personal income.

The existing situation cannot be considered socially fair and economically sound. Equality of rights of the two sectors of the economy in questions of the remuneration of labor has clearly not been achieved: the cooperative sector received one-sided advantages. The existing situation requires a decisive change. Not one of the forms of public socialist property should give a member of the society different opportunities in the remuneration of labor in the performance of the same work under equal production conditions. The improvement of the practice of the remuneration of labor, of course, must be mutual in the scope of the cooperative as well as the state sectors. The state enterprises must eliminate many unfounded limitations in the organization of the remuneration of labor that restrain the initiative of working people and deprive them of the possibility of earning more at their own workplace.

It is interesting to note that a common tendency in the taxation of cooperatives in the CEMA countries is the establishment of equal economic conditions for all types of enterprises, regardless of the form of ownership under which they are founded. Uniform standards for taxes and payments for cooperatives and state enterprises have been established in Bulgaria, Poland and the CSSR. The tax on profit alone amounts to 45 percent in Bulgaria, 65 percent in Poland and 50 to 60 percent in the CSSR. In the GDR, it is 45 percent in the service area and 60 percent in the production area.

In Hungary, large cooperatives pay 45 percent of profit and small ones pay 28 percent of gross income. In these countries, cooperatives also make payments for resources: for production capital (from 3 percent in Bulgaria to 6 percent in the GDR), manpower and natural resources (land and water), and a tax on immovable property. A turnover tax is levied, with payments in the socialist countries averaging 30 to 40 percent of the

wage fund. The tax on the income of cooperatives is 14 percent in Bulgaria, 20 to 60 percent in Hungary, and 20 percent in the CSSR, the GDR and Poland. Wage rates are in effect in the cooperative sector of these countries.

In the USSR, the maximum tax level on cooperative income is set at 10 percent, the tax on personal income is 13 percent, and payments to social security are 5 to 14 percent (only 17 percent of the cooperatives make these payments).

It is important that the tax on the income of the cooperative not be uniform but differentiated and that it "react" to a certain set of factors that will allow it to be an instrument of active economic policy.

The ukase passed on 23 February 1989 notes that the rates can be differentiated depending upon the type of cooperative, the objectivities of their work, the urgency of satisfying needs of the population, the conditions of material and technical supply and the sale of output, price setting and the level of earnings of the cooperatives, and the share of the labor of cooperative members in overall labor expenditures. Thus, the tax at the republic level can be differentiated in accordance with eight factors. Another six factors are singled out that give a basis for the ispolkoms of local soviets to set favorable or lower rates.

Such a resolute turn to a differentiated tax also evokes some fears. Are we not going to another extreme in the case at hand? Is the tax not becoming overloaded with the functions being placed on it? In particular, how will the tax affect the income of the cooperative, which, even though it selected an extremely urgent area of work for the satisfaction of the needs of the population, is raising the price level?

Perhaps it is worthwhile to remember some other measures for the regulation of the cooperative movement and to reduce the number of differentiating factors or introduce several independent taxes?

Unfortunately, the ukase does not give a specific order for the levying of the tax. The union republics must work it out independently relying on the general positions of the ukase and on the methodological recommendations of the USSR Ministry of Finance.

How productive is such an approach? Will it not turn out that the ministry's methodological recommendations that are not confirmed by elective bodies will have more of an effect than the national law?

Must the tax rates on cooperatives be raised? They do not mean the first preferential years of their work but the subsequent period in the functioning of the cooperatives. The ukase leaves this question open, granting the union republics the right to resolve it independently until 1 July 1989. In our view, they must. Low tax rates do not provide any possibility for carrying out an effective

policy for the regulation of the activities of cooperatives, because it is impossible to differentiate the rates substantially in the scope of the small interval between them.

At what level is it expedient to set the maximum ceiling of taxation of cooperatives? The experience of the European socialist countries shows that the levels of the tax obligations of state and cooperative enterprises are coming closer together. But the cooperatives are operating under the conditions of greater commercial risk and fewer guarantees of material and technical supply. And the average level of payments in the state sector must be accepted as the maximum level in the cooperative sector. From this maximum level, in our view, it is essential to carry out a policy of the stimulative differentiation of taxes. The commentaries on the ukase recommend the figure of 40 percent of the income of the cooperative as the maximum tax level. In our opinion, it is too high. State enterprises pay about 50 percent of profit to the budget, whereas the cooperative pays a tax on its entire income, on profit plus wages, to put it graphically. If the indicated interest is related to the entire income of the state enterprises, then it amounts to 15 to 20 percent depending upon the branch of the national economy.

The USSR Ministry of Finance is now working out methodological recommendations to calculate the tax rates on cooperatives. It is advisable to publish reference information as the basis for the preparation of recommendations. This will make it possible to perform a qualified scientific assessment of them.

In the ukase, the right to regulate tax rates is also granted to the republic and local levels of management. Thus, republic legislation determines the magnitude of the tax rates and differentiates it in accordance with a series of criteria. The soviets of people's deputies registering the statutes of the cooperatives can lower the tax rates of free individual cooperatives from taxation for a definite period. A decision prepared or passed by the ispolkom is subject to compulsory affirmation at the session of the soviet. Experience will show to what extent the body of deputies can reasonably manage the activities of cooperatives in its own territory.

Still unresolved, however, are the questions of the encouragement of production and social accumulation and a progressive tax on the personal incomes of working people in cooperatives. It is proposed, for example, that uniform progressive taxation of the personal income of employees be introduced in the state as well cooperative sectors of the national economy.

[Boxed material] According to the Data of the USSR State Committee for Statistics on the Development of Cooperatives for the Production of Consumer Goods in 1988

As of 1 January 1989, there were 16,200 cooperatives in operation, which is five times the number on this date in 1988. The number of people employed in them increased

by a factor of more than eight during the year and totaled 332,000 people. In the past year, cooperatives sold output for 1.5 billion rubles (it was 90 million rubles in 1987).

The following data characterize the distribution of cooperatives producing consumer goods by type of activity:

	Number of Active Cooperatives	Number of Workers, in thousands	Volume of Output (Services), in millions of rubles
Sewn goods	2,486	55.7	298.6
Knitted goods	503	15.2	96.5
Footwear	879	13.8	72.8
Furniture	467	7.9	31.5
Souvenirs and other decorative items	1,233	26.7	132.3
Confectionery and baked goods	1,590	15.4	66.7
Other consumer goods	8,994	197.1	845.5

Despite the increase in the number of cooperatives, their share in the total production of consumer goods remains insignificant and amounts to 0.4 percent.

### Problems of Productivity, Wage Disparity Explained

18280104 Moscow SOTSIALISTICHESKAYA INDUSTRIYA in Russian 4 Apr 89 p 2

[Interview with Anatoliy Illarionovich Milyukov, doctor of economic sciences, by Ye. Kolesnikova, SOTSIALISTICHESKAYA INDUSTRIYA special correspondent; date and place not given]

[Text] The USSR State Committee for Statistics recently announced that the average monthly income of workers and employees grew by 14 rubles when compared with last year. The demand for goods and services naturally increased sharply and the shortage was aggravated. Economists are uneasy—the growth in wages is noticeably outpacing the increase in labor productivity, and this is a sure path to an increase in inflation. As if noticing the statisticians' alarming reports, readers are asking in their letters: "When will they finally increase wages? You see, there is not enough to live on."

The discussion between Ye. Kolesnikova, our special correspondent, and A. Milyukov, doctor of economic sciences, began with this question.

[Kolesnikova] Anatoliy Illarionovich, the readers' questions confirm that our wage system is still far from being perfect. The average wage of three million people is less than 80 rubles a month. I do not doubt that these people

feel materially deprived. They have no incentive to work well. It is not surprising that the low-paid workers are primarily interested in whether there will be an increase in wages during the near future.

[Milyukov] An increase in wages is a phenomenon that is desired for every worker. However, it is very important to keep the following in mind.

First of all, there is the condition of the economy in general. During the past year, the increase in average monthly wages for the national economy was 6.7 percent; that of labor productivity calculated based on the net output of physical production enterprises—5.4 percent; and that of consumer goods—5 percent. In other words, wages grew more rapidly than the efficiency of labor itself and the commodity saturation of the consumer market. The situation in the market worsened even more. The amount of "hot" money, which was not spent on goods, is already reaching 70-80 billion rubles. If we do not make the increase in wages commensurate with the condition of the economy, the situation can become extremely serious for restructuring in general. An increase in inflation drains the shelves in stores even more, and this primarily worsens conditions for families of moderate means.

A rapid increase in the material incentive fund caused to a great extent the inflationary increase in wages during 1988—it exceeded the five-year plan by more than four billion rubles. A significant portion of this was caused by the poor coordination of wage fund amounts with production results (approximately three billion rubles), the increase in incomplete construction and numerous one-time decisions on raising wages. The rapid increase of monetary payments in cooperatives had a substantial impact.

The list of reasons, itself, testifies to the fact that the problem is a complex one. This explains why recent party and government decisions are aimed at normalizing the country's financial situation. It is necessary to carry out a number of extraordinary measures, including the close linkage of a wage increase with the state of affairs in the economy and with work results. This is the most urgent task now. At the same time, everything is being done to sharply increase the production of goods and services for the population.

The appeal is like this: "Let us pay everyone well, and matters will go well." One can comment on this with only one word—a fantasy. Wage increases, which are being carried out—and more than once—for individual categories of workers only pull up their standard of living. However, as a rule, having received this addition, workers are not immediately transformed into specialists with a higher qualification—they work the same as before for a larger wage.

I will explain this conclusion using the following example. At the beginning of the Seventies during the second wage reform, the budget allocated approximately 10 billion rubles to raise the wage rates and salaries of workers in the production branches of the national economy. And what happened? In many sections, productivity ... even fell. This, at first glance, unexpected

fact did not surprise thinking economists. Imagine to yourself a piece-worker, who—having received a raise—quickly understood that it was possible to have the same money by expending less labor. Thus, the assumed increase in labor efficiency did not occur, enterprises did not give up dependence but continued to knock out for themselves a little more wage fund; rates and tariffs were higher....

[Kolesnikova] Therefore, a mechanical increase in wages does not inspire people to work more and better. What can be done?

[Milyukov] Do not manipulate wages, but link it with work results and implement in fact the principle: I want to earn—I will earn.

The state has been called upon to protect and guarantee a minimum wage level. Everything, which a collective has earned, should be paid out in close coordination with work results and without limitations. It is necessary to stand more resolutely on this path. Statements that the center can determine the conditions, amounts and system of wages should be removed as not corresponding to the goals of economic reforms.

Hundreds of directive norms, which bound the initiative of labor collectives, have already been repealed. The main thing is to combine economic and rate reforms. It is not possible—and it is even inadvisable—to allocate 22 billion rubles to increasing rates and salaries. An enterprise itself can now earn its wage fund, and the enterprise itself can review rates and salaries using it. Relying on the new capabilities for earning a wage fund and increasing labor productivity, more than a million workers were utterly released from physical production during 1987-1988 alone.

[Kolesnikova] Is it possible to think, therefore, that all wage questions are clear or have already been solved?

[Milyukov] No, everything is not so simple. There is still no clear-cut clarity in the question—what assets and what labor payment fund can an enterprise have at its disposal?

Different approaches have been used since the beginning of the economic reforms: The fund is increased through a growth in output (the first cost accounting model) and it is formed using the income raised (second and third model). The best version is for the enterprises themselves to decide how the cost accounting income will be distributed, guided by current and long-term tasks.

However, a well organized tax system for deductions from enterprise incomes is required for this: We are faced with developing a balanced single taxation schedule for all enterprises in the different economic sectors and using a system of benefits for effective types of

expenditures and production; with the help of taxes, we must encourage deductions from incomes for investment purposes. These propositions must be thoroughly studied.

However, there is no perceptible taxation lever now. This means that temporary limitations aimed at income for wages are required. What should they be: Should we maintain centralized norms for distributing enterprise incomes or should we introduce control over the ratio between the increase in cost accounting income and the wage fund? Not that other versions are not possible. For example, the following is envisaged for the Sumskiy Machine Building Association which has shifted to a lease: If wage assets are increased, a threefold increase in taxes (!) is imposed on the total mentioned increase in comparison with the stipulated tax. The tax is introduced at the expense of the cost accounting income assets that are aimed at social development.

Work is taking place on these questions, and scientific institutions have been included in it. All of this work, however, should take place rapidly. We cannot lose any time. The unsolved questions are interfering with work and restraining the initiative of labor collectives.

There is also, however, another factor—the poor restructuring of intraproduction cost accounting. We have talked and written a great deal about this. However, the following picture is typical—as before. In one city, in one neighborhood, two different enterprises, separated only by a fence, are operating. The internal cost accounting of one is well organized and the lease contract and wages are connected with work results—in a word, affairs are progressing successfully; in the other—stagnation. Why is this occurring?

Of course, the main reason is the insufficient development of complete cost accounting. This, however, is not the only trouble. Unfortunately, many collectives are still acting indecisively and listlessly because the force of inertia is great, the level of the personnel is not high, and the psychology—since I receive little, I will not overstrain myself at work—is still too tenacious.

[Kolesnikova] You know that they do not overly strain themselves at times in cooperatives. However... they receive severalfold more than in state enterprises. At one time, our newspaper reported the results of research conducted in food catering cooperatives. There, workers worked threefold less than workers in state cafes and dining halls, but received... threefold more. I do not now want to talk about social justice although this subject automatically arises. I want to understand the main point—why is it beneficial for a cooperative to pay threefold or fivefold more than the ordinary, but not for the state?

[Milyukov] There are several reasons for this situation. The main one is that the initial preferential—essentially tax-free—activity of the cooperatives has been drawn

out. Arguments about taxes are still taking place, drafts are being developed, and the annual volume of services provided by cooperatives and goods sold by them already exceeds six billion rubles. A major portion of the money is paid as income to the cooperative members. Even under equal production and sale conditions, this is 10-fold more beneficial than in state enterprises. The difference in wages comes from this to a great extent.

The decisions adopted on introducing taxes for cooperatives have been called upon to place them in approximately the same situation as state enterprises. The republics will now solve the question of taxes, although—of course—we must move in the future towards an approximately equal taxation system for all sectors in the economy and the USSR Supreme Soviet must decide all these questions.

Of course, it is necessary to study tax policy thoroughly. I think that, perhaps, it is not worthwhile in general to impose taxes on the assets going to expand production—construction and the purchasing of equipment. The money, which a cooperative “eats its way through”, is high. I recall a conversation with a Swedish farmer. In reply to my question whether the farmer was able to use a large part of his income for his family's personal consumption, he said: “I cannot. I must give more than 40 percent of my income to the budget as a tax, but they do not impose a tax on production expenses.” Unfortunately, our cooperative members spend approximately 70-80 percent of their income on wages today.

[Kolesnikova] Taxes, however, are evidently not the only factor causing the difference in wages? We hoped that the expansion of the cooperative system would cram the market with goods and that it would be a serious competitor for state enterprises. This is still not noticeable. On the other hand, it is very noticeable how much more expensive cooperative items and services are and how much higher the wages of cooperative members are. This is causing serious social tension in society and an outflow of personnel to cooperatives.

[Milyukov] Yes, cooperatives have clear advantages in key questions—in establishing prices for their products and in distributing income between the cooperative members. In comparison with cooperatives, a state enterprise is like an individual with tied feet; you will not run very far. Until equal conditions for competition are established, it will not happen. Besides a sound taxation policy on cooperative incomes, the state must carefully follow prices. While the market is in an extremely short supply, it is impossible to allow the dictates of the producers.

[Kolesnikova] The latest government decree made an attempt to regulate this process, but many economists are doubtful whether administrative levers will be developed. You see, does cost accounting under the conditions of a monopoly economy inevitably lead to a rise in price?

[Milyukov] I think that it is possible to combat this trend in two ways: unshackling the activity of state enterprises bringing it closer to the rights of cooperatives where possible; and regulating the activity of cooperatives. This is a counter-movement. The process of intensively accumulating management experience—an active analysis of the positive and negative trends—is now taking place. It is important to correct mistakes—and they, unfortunately, exist—very rapidly.

[Kolesnikova] Alas, all of this concerns people who are working in the area of physical production. However, what effect will the reform have on the enormous population groups working in scientific institutions, schools, VUZ, and design institutes? The intelligentsia, who—it is acceptable for us to think—“produce nothing”, have essentially been overlooked. In the overwhelming majority of cases, cost accounting relations do not affect them. Does it seem to you that an even sharper stratification in income levels between workers in the production area and all the others will soon occur? You see, one cannot lease a school, kindergarten, polyclinic, or library.

[Milyukov] The question of the wages of workers in the nonproduction area and science is an extremely urgent one. Society is already becoming aware of the negative consequences that the low wages of those who “produce nothing” have. The prestige of many professions has fallen and the qualifications of specialists are being lowered. You see, the average salary of an engineer was 1.5-2-fold more than a worker before the war, for example. This gap is now only about 10 percent. The half measures, with which we attempted to correct the situation during the Sixties and Seventies, provided little. Today, this gap in incomes is not being remedied but is intensifying.

[Kolesnikova] Why? What are the ways to solve this problem?

[Milyukov] The ways are known. The first one is a direct increase in salaries and rates in those nonproduction branches where they have clearly fallen behind. These steps are being taken for teachers and other workers in education, they are being implemented in stages in health care, and they are being planned for higher schools. In this regard, the increase in salaries is more than 30 percent.

There is, however, a second avenue also—use cost accounting management methods more broadly. In a number of branches, it can be very effective and provide for an increase in wages. Last year, approximately 1,500 scientific organizations worked under the new cost accounting conditions; this year—all. With the shift to the new system, matters improved in the majority of them, the scope of research grew significantly, and the practical direction of their work was improved. Consequently, average salaries increase by 10-15 percent.

Let us point out, however, that cost accounting in science and other nonproduction branches cannot replicate the schedule of complete cost accounting in industry. It is necessary to take the peculiarities of these branches into consideration very carefully. A monopoly position on the part of individual institutes has taken shape today in science, and clients have considerable "free" money. This has inevitably led in a number of cases to an increase in contract prices for work, slippage into narrow specialization and frequently to an unjustified increase in wages. All of this testifies to the fact that the new management mechanism must be carefully worked out and its steps, stages and consequences must be thoroughly studied. Unfortunately, it is this work that is now insufficient; Superficiality and emotionalism predominate.

[Kolesnikova] How about the incomes of people who are not included in the cost accounting system—for example, pensioners?

[Milyukov] I think that a mechanism is required that would automatically pull up the salaries of people, who are still not involved or generally cannot join in cost accounting relationships, when there is a wage increase in industry. This also concerns pensioners; they are suffering more than others from price increases. They are the majority of the 40 million people of moderate means. The salaries of workers in the nonproduction area and pensions should, without a doubt, be brought into alignment with the general cost of living level and the increase in prices. According to USSR State Committee for Statistics data, the index of average retail prices in state and cooperative trade was 102.3 percent in 1988 when compared with 1987.

Mechanisms for this "pulling up" exist. The essence of them is to pay compensation in the form of a special allowance or to increase the basic salary of people on a

fixed salary. Generally speaking, it is necessary to point out that we are still attracted to administrative methods for managing the economy, and the world has accumulated a mass of interesting and useful methods. There exists a tested mechanism for pulling up pensions and salaries and ways to establish a taxation system.... The Commission To Improve the Economic Mechanism attached to the USSR Council of Ministers is now working in this direction. It is necessary, however, to make decisions more energetically, rapidly and concertedly.

[Kolesnikova] The entire course of our conversation suggests a final thought—it is impossible to talk about wages separately from other economic mechanisms. Alas, the overwhelmingly majority of us do not think about this when approaching the cashier's window...

[Milyukov] In order to stimulate the role of wages, it is necessary to solve many other questions—both current and future ones.

First, accurately determine ways to expand ownership forms for the means of production, organize the most effective model of cost accounting, and put the financial and credit mechanism into good order.

Second, improve the situation in the consumer market so that the money, which is earned, can always purchase goods.

Last, increase the role of wages in the system for reproducing the labor force. In particular, the workers' income should be not only a source for acquiring goods and services but also for improving other important parts of his life.

All this requires a different approach to the problems of wages; thorough scientific research and practical work, of which—unfortunately—there is little now, are required.

## MOTOR VEHICLES, HIGHWAYS

### New Traffic Laws Noted

18290169 Moscow MOSKOVSKAYA PRAVDA in  
Russian 5 Apr 89 p 4

[Supreme Soviet Decree on New Traffic Laws, in response to request by MOSKOVSKAYA PRAVDA reader V. Antonenko: "June. The New Way for the Road"]

*[Text] I have heard that the Presidium of the USSR Supreme Soviet has made changes and additions to the Regulations on Administrative Responsibility for Violating Traffic Laws. The new regulations will go into force on 1 June, and I would like to become familiar with them beforehand. V. Antonenko.*

With the aim of reinforcing discipline in transportation and the struggle against road traffic violations and protecting the rights of citizens, and in accordance with the Principles of Legislation of the USSR and union republics on administrative violations of the law, the Presidium of the USSR Supreme Soviet decrees:

1. Drivers of means of transportation, that is, all types of motor vehicles, tractors, and other self-propelled machines, streetcars and trolleybuses, as well as motorcycles and other mechanical means of transportation which have a defective braking system or steering or which have been reequipped without the appropriate authorization, or which have not been registered in the established procedure, or which have not passed the state technical inspection are subject to a warning or a fine of 5 rubles.

Violation of the laws on the use of seatbelts or motorcycle helmets brings a warning or a fine of 5 rubles.

2. Drivers of means of transportation are subject to a warning or a fine of 10 rubles for exceeding the established speed limit; for passing through a stop light or a traffic controller's signal; for failure to obey the requirements of road signs indicating traffic priority, signs that prohibit action or provide directions, and right-of-way roadway markings; and for violating the rules on transporting persons, overtaking means of transportation, passing through public transport stops or pedestrian crossings, and using lights during the hours of darkness or under poor visibility conditions.

Those same violations which involve an emergency situation, that is, which force others in traffic to abruptly change speed or direction or to take other steps to ensure their own safety or the safety of other citizens, as well as a driver's failure to follow a militia employee's directions to stop, result in a fine of 20 to 50 rubles or forfeiture of the right to drive for a period of up to 3 months.

A militia employee's order to stop a means of transportation is expressed by means of a hand or baton signal with a simultaneous whistle signal, as well as with the aid of a loudspeaker. The signals should be clear to the driver and given in a timely manner so that executing them does not create an emergency situation.

2.1. Drivers of motorcycles and other means of transportation are subject to a fine of 50 rubles or are deprived of the right to operate a means of transportation for up to 3 months for taking part in group movement in cities and other populated areas which interferes with road traffic or is a threat to traffic safety.

3. Drivers of means of transportation are subject to a fine of 30 rubles or are deprived of the right to drive for a period of up to 6 months for violating railroad crossing rules.

4. Drivers of means of transportation are subject to a fine of 30 rubles or are deprived of the right to drive for a period of 3 to 6 months for violating the traffic rules stipulated by Articles 1 to 3 of these Regulations which involve damage to means of transportation, cargoes, roads, or road and other structures or other property, and for leaving the scene of a road or transportation accident where they are a participant in violation of established rules.

For other violations of traffic rules, except those stipulated by Articles 1 to 3 and 5 of these Regulations, which involve the same consequences, drivers are subject to a fine of 10 to 30 rubles.

5. Drivers are subject to a fine of 200 rubles or are deprived of the right to drive any means of transportation for a period of 1 to 3 years for driving while intoxicated, for permitting a person who is intoxicated to drive, or for evading an examination for drunkenness in conformity with the established procedure.

Those same actions by persons who do not have the right to drive a means of transportation result in a fine of 200 rubles.

6. Deprivation of the right to drive a means of transportation for violating traffic rules may not be applied to persons who use these means in connection with a disability, with the exception of driving while intoxicated.

7. Other violations of the traffic rules, apart from those stipulated by these Regulations, result in a warning.

8. Persons driving a means of transportation when they do not have the right to drive them, as well as permitting a person to drive when he does not have that right, results in a fine of 30 rubles.

Those same violations which involve damage to means of transportation, cargoes, roads, or road and other structures or other property result in a fine of 30 to 50 rubles.

9. Drivers of means of transportation or other persons for whom there are sufficient grounds to presume that they are intoxicated are subject to a ban on driving and examination for intoxication.

The procedure for sending the persons cited for an intoxication examination and the conduct of their examination is determined by the USSR Ministry of Internal Affairs, the USSR Ministry of Health, and the USSR Ministry of Justice.

10. Pedestrians, for failure to obey traffic signals and for crossing the roadway at points that are not established, as well as persons driving mopeds and bicycles, teamsters, and other persons using the roads, for failure to obey traffic signals or road signs that indicate priority, prohibit action or provide directions, are subject to a warning or a fine of 5 rubles.

Persons cited in the first part of this article are subject to a fine of 10 to 30 rubles for violating traffic rules which involve the creation of an emergency situation.

11. Damage to roads, railroad crossings, and other road structures or the technical facilities to regulate traffic, as well as deliberately interfering with traffic, including by contamination of the pavement, results in a fine of 20 to 50 rubles.

12. Managers of enterprises, institutions, and organizations or other officials responsible for the condition and operation of means of transportation are subject to a fine of 10 to 50 rubles for allowing the operation of means of transportation which are defective, which are not authorized to operate, or which have been reequipped without the appropriate authorization, or which have not been registered in the established procedure, or which have not passed a state technical inspection.

For permitting drivers who are intoxicated or persons who do not have the right to drive to operate a means of transportation, the officials cited in this article are subject to a fine of 100 rubles.

13. For violating the rules for maintaining roads, railroad crossings, and other structures in a condition safe for traffic or for failure to take timely steps to prohibit or restrict traffic on individual road sections when their use threatens traffic safety, officials responsible for the condition of the roads, railroad crossings, and other road structures are subject to a fine of 30 to 100 rubles.

14. Persons 16 to 18 years of age are subject to administrative penalty without special preference for violating traffic rules.

Cases involving the persons cited, taking into account the personality of the violator and the nature of the misdemeanor, may be transferred for review by rayon (city) and city rayon commissions on juvenile matters.

In the case of a violation of traffic rules by persons under the age of 16, the question of the steps to be taken in connection with them, as well as in relation to their parents or the persons substituting for the parents, is reviewed by the rayon (city) or city rayon commissions on juvenile matters.

15. Citizens and officials who are guilty of violating traffic rules bear administrative responsibility if these violations by their nature do not entail action in conformity with the legislation on criminal accountability.

16. A record of evidence on a violation of traffic rules is prepared by a militia employee, or in his absence, by an authorized public order volunteer.

In cases where a person does not contest the violation committed and the administrative penalty is in the form of a warning or the fine imposed is no more than 10 rubles, the record of evidence is not prepared. The fine in these cases may be imposed by the militia employee at the site of the violation. A ticket of established format, which is a document of strict financial accountability, is issued to the violator on the imposition of a fine.

When an administrative penalty is imposed in the form of a warning at the location of a violation, it is legalized by the method established by the USSR Ministry of Internal Affairs.

17. A militia employee has the right to subject a person who violated the law to administrative detention for no more than 3 hours for the purpose of stopping the violation of traffic rules, making a record of the evidence, and providing for timely and correct consideration of the case and for a decision on the case of traffic rule violation to be made.

When a violation has been committed for which an administrative penalty in the form of forfeiture of the right to drive is imposed in accordance with these Regulations, the driver's license is withdrawn until a decision is made in the case and he is issued a temporary permit to drive, and this is entered in the record of the violation. In the event that the decision is made to deprive him of the right to drive a means of transportation, his driver's license is not returned, but the temporary permit is extended until expiration of the period set for lodging a complaint or until a decision is made on a complaint.

Operation of a means of transport with a defective braking system or steering or which has been reequipped without the appropriate authorization, when this threatens traffic safety, is prohibited by the authorized officials of internal affairs organs in the procedure established by the USSR Ministry of Internal Affairs.

18. Cases on violations stipulated by Article 1, the first part of Article 2, Article 7, and the first part of Article 10 of these Regulations are considered by officials of the State Motor Vehicle Inspectorate, a list of which is established by the USSR Council of Ministers.

Cases on violations stipulated by the second part of Article 2, Articles 2.1 and 3 through 5, 8, the second part of Article 10, and Articles 11 and 12 of these Regulations are considered by the chief or deputy chief of a department (division, administration) of the State Motor Vehicle Inspectorate. When an executive committee or a rayon, city, or city rayon soviet of people's deputies lacks a department (branch) of the State Motor Vehicle Inspectorate, the cases cited are considered by the chief or deputy chief of the internal affairs department. Representatives of labor collectives and public organizations may take part in considering such cases.

Cases on violations stipulated by Article 13 of these Regulations are considered by administrative commissions under the executive committees of rayon, city, and city rayon soviets of people's deputies.

19. Cases on the violation of traffic rules are considered in accordance with the site of the violation or the place of registration of the means of transportation for a 15-day period from the time that the case comes up.

20. The fine imposed for violating traffic rules is deposited by the violator in an institution of the Savings Bank of the USSR, except for a fine imposed at the site of the violation.

When a fine is not paid in the period established it is recovered in a compulsory procedure from the wages of the violator based on the decision by an organ or official on the imposition of the fine.

If a person who has been fined is not working or the fine cannot be recovered from the violator's wages for other reasons, the fine is recovered by an officer of the law from the violator's property based on the decision by an organ or official on the imposition of the fine.

21. The driver is considered to have forfeited his right to drive from the day that the decision on forfeiture of this right was made.

22. When a person deprived of the right to drive has a conscientious attitude toward work and exemplary conduct, the organ which imposed the penalty may reduce

the period that the right is deprived, when no less than half of the period assigned has expired, upon a petition from a public organization or labor collective.

23. A person who has violated traffic rules is relieved of administrative responsibility when materials are transferred for consideration by a comrades' court, a public organization, or a labor collective if it is advisable to utilize a measure of public influence, taking into account the nature of the violation committed and the personality of the violator.

Appropriate extracts have been prepared for the traffic safety service of the city's automotive transport organizations and thematic posters and other methodical and visual aids are being prepared by the GAI [State Motor Vehicle Inspectorate] administration for the city of Moscow in connection with the adoption of the Regulations by the Presidium of the USSR Supreme Soviet introducing changes and additions to legislative documents of the USSR on responsibility for violation of road traffic rules.

**Nonchernozem Road Construction Problems Aired  
18290174 Moscow SOVETSKAYA ROSSIYA in  
Russian 27 Apr 89 p 2**

[Article by V. Brukhnov, RSFSR minister of highways: "Not Someone Else's Expense"]

[Text] Among the official papers in the ministry's mail, these sheets of paper, often taken from school notebooks, often arrest my attention. I know from experience that they deal with the worst sore points: the harmful effects of poor roads for normal life on earth. For example, N. F. Filippova from Vyazemskiy Rayon, Smolensk Oblast, writes here on behalf of residents of the village of Bobrishche: "After they take the flax from the field with an all-terrain vehicle, no one can walk or drive here. Everyone who can is leaving here because of the impassable roads." And there are thousands of such villages in Russia!

A year ago the CPSU Central Committee and the USSR Council of Ministers adopted the very important decree "On the state program for construction and renovation of roads in the Nonchernozem Zone of the RSFSR." It provides for the construction and renovation of 170,000 to 200,000 kilometers of roads by the end of 1995 by establishing a unified highway network in the region. And it is planned not simply to speed up the pace of road building, but to substantially improve their quality, increase their technical requirements, and change the road characteristics.

It should become a rule for us, the highway employees, if a village has waited for its turn to receive asphalt, not to cut it off on the outskirts and not to limit it to just a narrow strip on one street. We should not overlook approaches to the store, the first aid station, the club, the rural soviet, and even the kolkhoz yard, from where hundreds of tons of mud are dragged out on the wheels of

vehicles in bad weather. With just a minimum of the good management needed, a new road will give rural residents the opportunity to rid themselves of the ever-present dirt and dust.

The poor quality of road work is also a subject of justifiable criticism. I agree with the opinion expressed by V. A. Anisimov from Borovichi, Novgorod Oblast, who writes that more attention must be devoted to the quality and technology of construction and that the main point in the entire program is the quality of road construction. A number of organizational and technical measures, and in particular, the introduction of state acceptance everywhere, are planned in the years ahead.

Road building has now been expanded in all oblasts and autonomous republics. Results of the first quarter's work indicate that the rate of construction for the Nonchernozem Zone of the RSFSR as a whole has increased by more than 1.5 times as much compared with the corresponding period last year. Many problems have been resolved: in planning highways and bridges and in many aspects of material and technical supply. New road-building subunits are being created by contractors and a production base for builders of roads and bridges is being developed.

Highway employees in the Nonchernozem Zone sense the help and support of labor collectives in the organizations and enterprises of many ministries and departments. Thus, planning organizations in Uzbekistan, Kazakhstan, Georgia, and a number of other republics have offered their assistance in planning the highways. Labor collectives from the Yaroslavl Association "Orgneftesintez," the Ryazan and Moscow Oil Refining Plants, and the "Kirishinefteorgsintez" Association have turned out about 50,000 tons of petroleum asphalt above the plan and have already released it to highway organizations in the Nonchernozem Zone. I would like the labor collectives of organizations and enterprises and other ministries and departments to support the initiative of the petrochemical workers and the planning and other organizations to take an active part in road building in the Nonchernozem Zone. After all, there are still many unresolved problems in implementing the "Roads of the Nonchernozem Zone" program.

For example, in order to carry out the 1989 program, highway workers do not have enough asphalt spreaders, asphalt concrete installations, motorized rollers to compact the asphalt concrete pavements, excavation equipment, and especially power shovels and mobile and stationary rock-crushing units. This was correctly mentioned in the article "The Road Atlas of the Nonchernozem Zone," published in SOVETSKAYA ROSSIYA on 15 February 1989. Bridge-building is proceeding more slowly than required. We lack the special equipment and capacities to produce bridge structures and the suppliers of rolled metal are not fully carrying out their

contract obligations. Last year, for example, the Nizhniy Tagil and Kommunarsk plants did not deliver wide-block beams and a channel; as a result, dozens of bridges needed were not built.

Enterprises of the Ministry of Motor Transport have been actively included in carrying out the highway program and they are increasing the volume of freight transported by road. However, in the Kaluga, Kalinin, and Perm Oblasts and certain other oblasts, the requirements for our transport are not being fully met yet. Additional measures are needed to reinforce transport enterprises, especially as the volume of freight being carried will be increased at an even faster rate later on.

When the new roads are built, thousands of power and communications lines, gas and water pipelines, and other supply lines have to be cut through. Their installation or reorganization is being turned more and more into an almost insuperable barrier because of the lack of cables, conduits, and other integral components. At times, this process is complicated without justification by the enterprises which possess these supply lines when the technical specifications are issued. But why don't the labor collectives of these enterprises undertake to carry out such work everywhere with payment for it at the cost of estimates for the road. This would be an important practical contribution to implementation of the highway program.

Of course, the employees of the RSFSR Ministry of Highways and the oblast planning, repair, and construction associations are not sitting idly by and are not waiting for solution of all the problems mentioned only from "above" or at the initiatives of their collectives. Steps are being taken to conclude direct contracts with enterprises and organizations for the delivery of output above the state order, and a search is under way for additional highway freight. The leasing contract is being developed in road organizations and the services of cooperatives are being utilized extensively. All this makes it possible to improve the use of available resources and increase production efficiency. But unfortunately, while the volume of work on the roads is continuously and sharply increasing, there is a shortage of building materials, equipment, and products. For this reason, I would like to draw the attention of the highway workers' numerous partners who are delivering their equipment and materials which provide for transportation: the successful implementation of the intensive state program "The Roads of the Nonchernozem Zone" will depend on the completeness and smoothness with which their contract commitments are carried out and the extent to which the highway workers' requirements are fully met.

And one more problem whose solution requires the efforts not only of the RSFSR Ministry of Highways, but the party and soviet organs of the autonomous republics and oblasts of the Nonchernozem Zone as well. I am

referring to the monetary assets. It is planned to build 5,700 kilometers of general-purpose roads this year. However, we have only 92 percent of the required capital investments for this today.

Why is there a shortage? Large sums have been put into stepping up the development of the construction industry of the contracting organizations involved, new technical requirements for roads have been introduced, and additional privileges have been established for the construction workers. In some cases contracting organizations which dictate their conditions when the planning estimates are drafted have taken advantage of the public need. By drawing in funds from our ministry's enterprises and organizations and by partial redistribution among other regions in the republic, we have managed to increase the amount of capital investments stipulated by the "Roads of the Nonchernozem Zone" program by nearly one-fourth as much, but at the same time the deficit still amounts to 122 million rubles. It is being felt most critically in the Vologda, Perm, and Sverdlovsk Oblasts and the Udmurt ASSR, that is, where higher rates of highway construction have been planned and there are considerable losses to the national economy because of the poor roads.

What can be done in such a situation? The alternatives for solution of this problem are either to reduce the volume of road construction or find the missing funds. The sector's headquarters and party and soviet organs locally have not begun to reduce the pace of road construction; it will be very difficult to make up for the lag later on. Indeed, the costs to morale from this are irreplaceable as well. Consequently, there is only one thing to do: look for the missing financial resources.

There are two ways of carrying this out. The traditional ways are to ask the RSFSR Gosplan and the RSFSR Ministry of Finance, in accordance with the results of the republic's national economy for the half-year and 9 months of the current year, to find additional financial resources and allocate them for highway construction. The nontraditional ways are to obtain additional funds as voluntary payments from enterprises and organizations regardless of which department they belong to, as well as contributions from individual citizens; by conducting special-purpose subbotniks; and by special highway lotteries.

The remainders available from the production and social development funds of the enterprises and organizations located in the Nonchernozem Zone amount to several billion rubles. This is why there are grounds for appealing to labor collectives to channel a large part of these funds to develop the highway network. The RSFSR has had a certain amount of experience in this regard. Last year in Saratov and Kuybyshev Oblasts, enterprises and organizations assigned about 5 million rubles for highway construction at the request of local soviets.

Special account No 810002 of the RSFSR Ministry of Highways has been opened in the Operations Administration of the Russian Republic Bank of the USSR Promstroybank [Industrial Construction Bank] in Moscow for the voluntary payments from citizens and organizations.

A considerable addition to the financial resources could be provided by holding one or several subbotniks throughout the Nonchernozem territory and transferring the money earned to road construction.

And finally, enlisting the cooperatives. They are increasing the volume of production or the services provided every day. But the overwhelming majority of cooperatives are not taking part in the financing of expenditures for the roads, although they are actively taking advantage of it. For this reason, the system of taxing the cooperatives that is being introduced should provide for their participation in financing the highways, even if only to the extent established for state enterprises.

I think that the councils of ministers of the ASSR's and the oblast ispolkoms of the Nonchernozem Zone are in the forefront of the work to carry out the nontraditional forms of replenishing the needed financial resources. Let us not forget that this not only involves an urgent matter of paramount importance in speeding up implementation of the Food Program. In the final analysis, this involves the futures and welfare of the Russian peasantry, to whom we owe a great deal. For this reason, it is not at someone else's expense that funds are obtained for all of us to build the roads. This is a common task for all the people.

## RAIL SYSTEMS

### Ministry of Railways Statute Published

18290150 Moscow GUDOK in Russian 5 Apr 89 p 2

[Statute on Railroads of the USSR Ministry of Railways]

[Text] In order to increase the role of the railroads of the USSR Ministry of Railways in further developing the country's economic potential, strengthening their responsibility for fulfilling shipping plans, guaranteeing the safety of rail transport, and expanding their rights and independence; based on the specific nature of managing the branch; and in accordance with Article 25 of the USSR Law on a State Enterprise (Association), the Statute on Railroads of the USSR Ministry of Railways has been approved.

### General Propositions

1. The railroad is the main link in rail transport and satisfies the transport needs of the national economy and population. A railroad carries out its own activity based on the USSR Law on a State Enterprise (Association)

and operates on the principles of complete cost accounting and self-financing, combining economic management methods with centralized direction of the transportation process.

2. The composition of a railroad, just as any complex association, includes rail divisions, which operate in conformity with the status of a production association, and its structural units. It can also include industrial, construction, transport, scientific and research, design, technological, supply, trade, and other enterprises (associations) and organizations and public education, health and cultural institutions.

3. A railroad is guided in its activity by USSR laws, other decisions of a congress of USSR people's deputies and the USSR Supreme Soviet, decrees and directives of the USSR Council of Ministers, the USSR Railroad Regulations, the USSR Regulation on Rail Transport Worker Discipline, the present Statute and Rules for the Technical Operation of USSR Railroads, and the orders and other norm acts of the USSR Ministry of Railways.

In the parts concerning them, construction, transport, scientific research, design, technological, supply, trade, and other enterprises (associations) and organizations and public education, health and cultural institutions are also guided in their activity by the norm acts of the appropriate ministries and departments.

4. The statutes on rail enterprises and structural units and railroad divisions are approved by the respective railroad and railroad division on the basis of common statutes that define matters concerning the guaranteeing of the transport process which the USSR Ministry of Railways has stipulated.

Based on the requirements for an effective organization for the transport process and in accordance with Article 5 of the USSR Law on a State Enterprise (Association), a railroad and railroad division grant to structural units, which have a separate balance-sheet, the necessary rights regarding the selection, assignment and training of personnel; the social development of work collectives; the organization and payment for work in the area of receiving credits and settling accounts as well as in other areas of activity.

5. A railroad and railroad division are legal persons and have an independent balance-sheet and a settlement account and other accounts in banking institutions. A railroad and railroad division have seals with their own name and with an imprint of the USSR state coat-of-arms.

#### **The Main Tasks and Functions of a Railroad**

6. The main tasks of a railroad are:

—complete, timely and high quality satisfying of the national economy's and population's transportation requirements;

—raising the efficiency of economic activity;

—insuring traffic safety and labor protection of the workers;

—improving the quality and standards in servicing passengers;

—developing the material base and social area in a planned and integral manner;

—maintaining installations, equipment and technical systems in operating order;

—increasing the output of consumer goods and providing services to the population;

—protecting the environment against contamination and other harmful effects.

7. Fixed and working capital as well as other material valuables and financial resources form a railroad's material and technical base and assets, that is, its property. A railroad exercises the right to own, use and dispose of this property.

8. A railroad forms economic incentive funds in the manner and under the conditions provided for by the USSR Law on a State Enterprise (Association) in the same way as a production association.

9. A railroad has responsibility to the enterprises included in its composition for the timely and complete fulfillment of its duties with respect to them. Losses, which are caused to enterprises because of the improper carrying out of these duties, are subject to reimbursement by the railroad in accordance with existing laws.

Guided by the USSR Law on a State Enterprise (Association), a railroad has the right to centralize, either completely or partially, the production and economic functions being carried out by enterprises that are connected with organizing and supporting the transport process. In this regard, the enterprise assets, which are required to perform the mentioned functions, can be centralized with their agreement. A railroad organizes intraorganizational mutual relations and resolves arguments between the enterprises and structural units included in its composition in the manner stipulated by law.

10. In accordance with the tasks placed upon it, a railroad:

a) Develops long-term plans for transporting freight and passengers and for expanding the through-put and carrying capacity of road sections based on a study of the

transportation requirements of enterprises in the national economic branches and the population; relays check digits and long-term economic norms and allocations to the enterprises; distributes state orders; organizes the work on economic and social development plans by the enterprises and structural units included in its staff;

b) Determines annual (broken down by quarters) and monthly freight shipping volumes on railroad divisions and also passes rolling stock work norms to them. In accordance with existing legislation, a railroad and railroad division are held responsible for their failure to fulfill the transportation plan and to safeguard freight, for delays in its delivery and other violations;

c) Exercises operational direction over operational work and the development and fulfillment of train movement schedules jointly with the railroad divisions, rolling stock operating norms, and the plan for transporting freight and passengers over the road as a whole;

d) Insures a common scientific and technical policy, a permanent increase in the technical level of production, the improvement of technological processes, and the introduction of new equipment and progressive experience;

e) Develops and follows an effective investment policy for developing the railroad as a component part of the country's common rail transport network; exercises the functions of a client; expands construction using its own resources; establishes special production facilities for these purposes in the manner prescribed;

f) Reviews drafts and issues permits for the hook-up of rail sidings to stations; defines the procedure for their servicing (accept for intraplant tracks);

g) Improves planning, financial and economic work on the railroad in accordance with the principles of complete cost accounting and self-financing; monitors the completeness and timeliness in receiving income from transportation and the work connected with it; settles centralized accounts with enterprises and structural units for the work and services performed by them in transporting freight and passengers; contributes to the strengthening of the financial situation of enterprises and structural units, the reduction of expenditures and the increase in profits (income);

h) Strictly observes state price and tariff disciplines; is responsible for the correctness of their establishment and use; in coordination with shippers, approves additional payments to the centrally established tariffs for shipments on local lines of communications and for the fulfillment of additional requirements for the delivery of especially urgent and other freight;

i) Insures traffic safety and the safekeeping of material and financial assets, freight, luggage, and mail along the route and at stations and the fire safety of rail transport installations;

j) Organizes the work to materially and technically support the railroad's enterprises and structural units with products being sold by way of wholesale trade and also with products being distributed in a centralized manner; develops direct economic ties in every way possible;

k) Develops norms for the expenditure of materials, fuel, lubricants, electricity, and spare parts in the manner prescribed; monitors their observance;

l) Develops foreign economic cooperation with enterprises in other countries; exports (imports) products and services;

m) Conducts measures to strengthen state and work discipline; organizes the training and retraining of personnel, insuring the combining of professional training with economic and legal training; directs the work to organize, set norms and pay for labor, increase production standards, protect labor, and safeguard equipment; organizes socialist competition;

n) Establishes in the prescribed manner social institutions and organizations, subsidiary facilities, and enterprises for providing services that are paid for, which are common to the railroad's enterprises and structural units; contributes to the expansion of the cooperative system;

o) Insures the correct application of existing legislation and the defense of the rights and legal interests of the railroad in court, arbitration and other agencies;

p) Compiles summary balance-sheets of the enterprises and structural units that are included in the railroad's staff; organizes in the prescribed manner bookkeeping and statistical accounting and bookkeeping; carries out measures to automate them; monitors the correctness in accounting and bookkeeping and insures their reliability;

q) Monitors the production and financial activity of enterprises and structural units and their observance of financial and accounting disciplines; analyzes and inspects their activity.

11. The USSR Ministry of Railways and financial, banking and other agencies monitor and inspect the production and economic activity of a railroad in accordance with the functions placed on them by legislation on monitoring the activity of enterprises.

**Administration of a Railroad**

12. The chief of the railroad, whom the USSR Council of Ministers appoints to the position and removes from the position on the recommendation of the USSR Ministry of Railways, manages a railroad. The USSR Ministry of Railways appoints the deputy chiefs of the railroad and chiefs of the railroad divisions to their positions and removes them from them. The management of a railroad and railroad division is done by a separate staff whose organizational structure is approved by the chief of the railroad and the chief of the railroad division, respectively, with the concurrence of the higher agency.

13. The chief of a railroad:

- a) Directs all the railroad's activity, fully exercising the rights provided by the USSR Law on a State Enterprise (Association);
- b) Represents the railroad's interest in all enterprises, institutions and organizations; concludes contracts; issues warrants; opens settlement and other accounts in banks;
- c) Performs work in selecting and assigning leading cadre in accordance with existing legislation and the prescribed nomenclature for the positions;
- d) Within the limits of his competency, issues orders and instructions and gives directions that are binding on all railroad workers.

14. The chief of the railroad has personal responsibility for the fulfillment of the tasks imposed on the railroad and the results of its work.

15. A labor collective council is elected on a railroad.

16. In order to determine the direction of the railroad's future development and to review questions concerning the technical and technological re-equipping, intensification of the transport process and increasing the economic effectiveness of its operation, a technical and economic council is established in a railroad as a consultative body. The council is drawn from the ranks of progressive production workers, inventors, innovators, highly qualified specialists, and scientific workers. The chief of the railroad approves the staff of the technical and economic council and its statute.

**The Establishment and Elimination of Railroads**

17. The establishment, reorganization and elimination of railroads is done on the recommendation of the USSR Ministry of Railways by the USSR Council of Ministers. The USSR Ministry of Railways changes the boundaries of railroads and railroad divisions.

18. The establishment, reorganization and elimination of enterprises and structural units, including those within railroad divisions, and other associations connected with organizing and supporting the transport process, are done by the USSR Ministry of Railways upon the recommendation of the railroad and in accordance with existing laws.

**GDR Rail Exposition at Shcherbinka Reviewed**  
18290187 Moscow GUDOK in Russian 25 May 89 p 4

[Interview by A. Ananyev and G. Krug with GDR exposition director Eberhard Steinbruck: "The GDR Pavilion Beckons"]

[Text]

[Correspondents] Comrade Steinbruck, among the countries of the socialist community, the GDR is a very major supplier of railroad equipment to our country. The GDR exhibit at the international "Zheldortrans-89" exhibition is extensive, and many enterprises of your country have exhibited at it... What, in your opinion, is of particular interest to visitors?

[Steinbruck] Visitors to our pavilion will see first and foremost the emblem, familiar to many, of the Schienenfahrzeugbau Combine, as well as the company emblems of other combines and enterprises in heavy machine building and the electrical-equipment and transport industries. We are devoting paramount attention to trade and collaboration between the GDR and the USSR in the realm of transport. We have a wealth of experience in joint operations at our disposal in this regard. The goal of our exhibit is to facilitate a strengthening of the reputation of the GDR firms that put out equipment and technology for railroad transport.

It was not easy, of course, to offer something new just three years after the last exhibit at Shcherbinka. It can be seen at this exhibition, however, how quickly and efficiently the results of research and development in production are being utilized at our plants. At the aforementioned Schienenfahrzeugbau Combine, for instance, roughly a third of the product line has been upgraded. In order to put a certain type of product into series production, we first conduct careful research and create and test models and the electrical and electronic equipment.

Scrupulous verification of the operation of equipment, in other words, is not an end in itself, but rather a guarantee of the reliability of our products. The new ZhP200 truck, the joint production of the GDR and Czechoslovakia for trains operating on high-speed lines and about which your newspaper has already informed its readers briefly, serves as an example of that. I could add, perhaps, just that the reports of specialists and the management corps of the transport sector give the visitors to the exhibit a broad conception of the development of research work on both the national and the international levels.

[Correspondents] It is widely known that the Schienenfahrzeugbau Combine produces passenger and refrigerator cars for the USSR. And that rolling stock, and especially three types of railcars for Soviet railroads, are being demonstrated at the exhibition. What is fundamentally new on them?

[Steinbruck] First and foremost, in preparing for this exposition we took into account the critical observations made in relation to these products at previous exhibitions at Shcherbinka and last year's GDR exhibit in Moscow. It was namely then the new-generation VPKh long-distance passenger cars obtained widespread recognition.

Suggestions on how to improve them were also expressed along with the good opinions, however. For which we express our genuine gratitude to all the specialists that displayed a businesslike interest in our equipment. Their opinions are especially valuable to us, after all, since the industry of the GDR is today working on further improving the new passenger car. Its series production will be set up in 1991.

The observations of our friends helped the specialists at the enterprise in Ammendorf find an interesting solution to the interior layout of the railcar. Today it consists of four compartments with modern design and one large compartment that is something like a club car. The finish is light, the parts are in harmony with each other and it looks very attractive. Visitors to our pavilion were also pleasantly surprised when they saw that the car has a shower that takes up half of one of the compartments. I think such a railcar should be of interest to all who are occupied with problems of improving service and comfort on tourist routes.

The other long-distance passenger car was also subject to modernization. Here we stressed the creation of materials and fixtures that would facilitate fire protection. We would like to mention the search for further solutions in the interest of passenger safety at the Zheldortrans-89 exhibition in this regard.

The third railcar for the Soviet railroads is a refrigerator car produced at the plant in Dessau. Such cars have been procured by the Soviet Union for many years now, by the way. We have already supplied over 40,000 of them.

[Correspondents] The four-section international diesel train for 1.435-mm gauge track is probably also deserving of attention. Could you cite the specific features of it?

[Steinbruck] The car of the diesel-electric train have been manufactured at the Bautzen enterprise. It is a 1st-class car. It is equipped with individual swivel chairs with soft coverings, a bar and a kitchen.

[Correspondents] What other exhibits are of interest?

[Steinbruck] The TAKRAF firm is a traditional partner of the USSR. In January it sent the 5,000th locomotive crane built at the Schwermaschinenbau enterprise imeni Kirov to the USSR. The YeDK-500 locomotive crane is now being displayed at Shcherbinka.

The plants making signals and blocking equipment offer new communications systems for railroads, and the electronics and communications enterprises offer telephone equipment.

[Correspondents] The GDR exposition is undoubtedly impressive. The first reviews of visitors to the international exhibition testify to this.

[Steinbruck] We are very glad of that. We of course experience satisfaction from our discussions with the engineers and interested individuals that have been invited to Shcherbinka. Many specialists, it should be emphasized, have come from the GDR and are ready to answer the most diverse of questions and take part in discussions. We expect much from the exhibition, since we know that Shcherbinka is a good address for the establishment of international ties.

#### Specialists Examine BAM Project, Future

18290159 Moscow GUDOK in Russian  
19 Apr 89 pp 1-2

[Interview with N. K. Isingarin, USSR deputy minister of railways, by V. Gitkovich: "The BAM [Baykal-Amur Mainline] at the Crossroads of Opinions"]

[Text] A great deal of negative material about the BAM has appeared in the press and on radio and television over the past 3 or 4 years. Not only are the methods and organization of construction criticized, but the very advisability of building this railroad is questioned; various suggestions are being made, even to the extent of shutting down the project temporarily.

But what is the opinion held on these matters by the USSR Ministry of Railways? In order to find this out, we decided to speak with N. K. Isingarin, deputy minister of railways.

[Gitkovich] Nigmatzhan Kabatayevich, you've read the many articles about the BAM that have appeared in recent years, of course. In this connection, the first question for the customer is: just what is the BAM—"the mistake of the century" or "the mainline of the century"?

[Isingarin] Let us begin with a more accurate definition: the MPS [Ministry of Railways] is not the customer, but it is carrying out the functions of the customer. The project is financed by the state through the USSR Gosplan as a separate paragraph in the annual and five-year plans. The BAM is not a departmental project, but a state project. Further, it seems to me that the pursuit of a resonant phrase sometimes leads journalists,

though not only the journalists, away from the truth. As far as the BAM is concerned, the assessments of the press are clearly divided into two periods: before 1985, it was an extremely valuable and important project, and most often everything taking place on it was considered an important event in the country's life; after 1985, nearly all the materials became just the opposite, critical and revealing, even to the extent that the BAM, they said, was not needed by the country at all. Both extremes are harmful. We simply need the truth in all cases. And it is that the Baykal-Amur line is necessary.

A mainline such as the BAM serves two main purposes: it relieves the rail routes already in operation of the flow of freight which they simply cannot handle with their technical parameters, and it provides for new territories to be opened up and economic regions to be developed. The BAM is not the only such major project in our country's history. The main Trans-Siberian route, the Turksib, the railroad in the Tyumen region, and the rail route to Vorkuta. Who today can say that building them was a mistake? But there were opponents of these projects at one time, too.

The BAM is not a mistake, although there undoubtedly were some in both the design and construction of it. We will talk a little more about this. But in the first place, the mistakes were not decisively important. Secondly, they are almost inevitable when such a large mainline is being built for the first time under such difficult conditions. And thirdly, there is a benefit from them: they are learning from the mistakes.

And this is very important for us: after all, construction of the BAM is continuing, and although the press is reporting hardly anything about its everyday work routine, the events taking place here are important. And in this final year for the project, fixed capital valued at more than 1 billion rubles should be put into use. This includes nearly 600 kilometers of track, 120,000 square meters of housing, and a great deal more.

**INFORMATION.** According to the plan reapproved in 1988, the total cost of building the BAM amounted to 9,555,800,000 rubles in capital investments with 7.32 billion rubles in construction and installation operations. In addition, the cost of the alternate route and the Severomuysk tunnel amounts to 363 million and 266 million rubles, respectively. It is planned to build 3,095 kilometers of new lines and 259 kilometers of second tracks; 749 kilometers are to be electrified, 2,598 kilometers are to be provided with automatic blocking, and 3,218 kilometers of intercity communications cable are to be laid. It is planned to build eight tunnels with a total length of 31 kilometers. This includes the country's largest—the Severomuysk, 15.3 kilometers long, 120 large and 780 medium-sized bridges, 17 locomotive depots, 16 railroad car facilities, 53 terminals...

[Gitkovich] I do not think your reproach can be applied to all of the press. GUDOK, for example, criticized the construction workers more than once at one time. In particular, it was the first to report the shortcomings of the Mogot settlement. There were also other critical statements in the BAM's "hour of triumph," and recently SOVETSKAYA ROSSIYA published three articles defending the completeness of the mainline and urging that the resources of the region be developed more rapidly.

[Isingarin] And that is what I said, you know: "most often" in the first period and "nearly all the materials" in the second period. No, I am by no means inclined to blame everyone; the general line, the predominant tone, simply strikes the eye, so to speak.

Weren't there really no small stoves and trailers on the BAM before 1985 or didn't the journalists know the costs of the construction? Everything bad on the BAM did not make its appearance in an hour. The time is now teaching us to see and speak about everything—both the good and the bad, and to analyze and evaluate, not to dash from one extreme to another.

[Gitkovich] It is sometimes said that the idea of building the BAM occurred suddenly, and it was poorly thought-out in the haste, which it also has to pay for.

[Isingarin] The idea of building a reliable railroad to the Pacific was conceived a very long time ago. And it was decided only at the beginning of the century, when construction of the Trans-Siberian Mainline was completed (from Chelyabinsk and up to Vladivostok in the 1892-1916 period). Indeed, that line, starting from Tayshet, turned away from the shortest route toward the south. And the main reason for this was that a straight route could not be broken through at that time; they did not have the necessary equipment, materials and resources.

[Gitkovich] Incidentally, judging from the data available, the pace of construction on the Trans-Siberian was faster than on the BAM, although the former mainline was built over 80 years ago.

[Isingarin] That is true. The truly selfless labor of the workers, engineers and technicians enabled them to move at a rate of 0.9 kilometer per day, but it has been 100 meters less on the BAM.

But we must take into account that the railroad has been under construction 400 to 700 kilometers farther north. It has gone through the taiga, marshes and permafrost, and in regions where there not only were no roads of any kind, but no settlements. The temperatures reach 50 below here in winter and 40 above in the summer heat. It is an area of high seismic activity. But many sections of the Trans-Siberian were laid on flatland. In short, the

natural conditions of the routes are not comparable. Well, the technical characteristics of the current railroad are also quite different, of course.

**INFORMATION.** Metal and reinforced concrete bridges have been built on the BAM under two tracks on reinforced concrete piles. The earth roadbed is also under two tracks (from the Lena to Tynda) with rubble ballast (gravel from Urgal to Komsomolsk-on-Amur). The rails are the R65 type for passenger trains of 1,000 tons and freight trains of 3,600 tons. Nearly half the western segment (749 kilometers) is built for electric traction, and the rest of the railroad is equipped for diesel traction. There is dispatch centralization and automatic blocking, with electric centralization of switches and signals, from the Lena to Urgal, then the blocking is semiautomatic.

[Gitkovich] And the great Siberian line is now quite different than in the year it was completed. For this reason, the weight of trains is more than 10 times as much as it was initially and the freight traffic is dozens of times as heavy. The question arises here: weren't we in a hurry with the BAM? Perhaps we could have managed without it for 15 to 20 years, saving money now, and then it would be easier to build it?

[Isingarin] Well, let us calculate to see if we have won or lost. Everyone knows about the Neryungri Coal Field. Without a Little BAM, we would not have been able to take out the coking coal extracted there. And this is 10 million tons annually, including for export. The still far from finished Baykal-Amur line has carried 200 million tons of freight and 22 million passengers altogether in the 8-year period.

But when it is put into service there will be access to the resources of a vast region (the adjacent region alone is 1.5 million square kilometers), and transit will be provided to the Amur region, the Maritime Kray region, and Yakutia, and the route to these regions will be shortened by hundreds of kilometers. In addition, we will relieve the choking Trans-Siberian line and establish the shortest direct route from Europe to Japan and back. The prospects are reassuring, as you see.

Well, if we postponed the project for about 20 years and put it into operation in the year 2010, let us say, we would have more frequent interruptions on the Trans-Siberian (after all, the freight traffic here now is 2.3 times as heavy as the average for the system), and then it would be plugged up with all the ensuing consequences.

[Gitkovich] The BAM should be put into service throughout its entire length this year. What will its work load be?

[Isingarin] A commission of the Ministry of Railways under the leadership of First Deputy Minister V. N. Ginko worked on the BAM in March. They examined the question of eliminating the railroad's unprofitability, and this can be achieved only through an increase

in the growth rate of transport volumes. So in 1991, compared with the current plan, the shipment of freight should be increased by 26.4 percent as much, passenger turnover should be increased by 2.1 times as much, labor productivity in shipments should be increased by 4.1 times as much, and their production cost should be reduced to one-fourth as much. This will be achieved by diversion of the transit freight flow. Transit shipments will increase. But they are not coping well with the increase in the second integral flow—the freight of the BAM itself—at present, but this is not the fault of the railroad workers. A task that is state-level in scope—development of the BAM region—is being carried out poorly.

It is planned to reduce the size of management to increase the line's profitability.

The mainline is being introduced as a startup complex this year, but they have not yet begun building the enterprises, mines, and pits whose output it ought to have been carrying. This has also become one of the main reasons for its unprofitability. Meanwhile, prospecting and preparation could have and should have been conducted by landing parties and major construction should have been carried out in sections with the start of the workers' movement. We must hope that the situation here will also change for the better when the mainline is commissioned.

[Gitkovich] At the beginning of our discussion you promised to return to the errors in planning and building the BAM. What were they, in your view?

[Isingarin] Let us begin with the Little BAM. The segment of it from Tynda to Berkakit was commissioned only 10 years ago, but both this line and the Tynda-Bamovskaya line commissioned somewhat earlier are coping poorly with shipments. The desire to make the project less expensive led to a situation in which they basically stipulated that R50 rails were to be laid on a sand-and-gravel ballast here. But the loads here are appropriate, the ballast is littered intensively with coal, and the disruptions on the line have become massive for this reason. This year they have been forced to replace all the rails for more durable ones.

What is more, in the pursuit of economy, the support walls to prevent slides on approximately 20 mountain slopes that are dangerous for their avalanches were eliminated from the project.

Many sections were laid on permafrost. The roadbed will settle as long as the line is used. In the experts' opinion, 1.5 to 1.8 million cubic meters of ballast will have to be laid down to eliminate the sagging and spreading of the earth roadbed because of thawing. It is also necessary during maintenance operations. But the engineering plan that was approved did not provide for construction during the period that rubble plants and sand and gravel pits were in operation. There are no bases in it for PMSes

[track maintenance machinery stations], and provision was not even made to build the PMSes themselves. All these were mistakes by the commission of Gosstroy and Gosplan experts.

There have been mistakes in the social area as well. For example, it was believed that part of the temporary buildings and structures for the construction workers (dwellings, schools, kindergartens, stores) would be used by the railroad workers when the mainline is in continuous operation. But because of the extended construction period, many of these have become unsuitable, and the little glued-panel structures do not blend into the landscape with the multistory buildings in Tynda, either.

[Gitkovich] Since we have already begun to speak about housing, please explain why we hear that it is being built according to the plan on one hand, but that reference is made to the critical housing shortage on the other hand. The families of 10,000 railroad workers are standing in line. Why are certain schools operating on two shifts and there is such a long wait to get into a nursery school?

[Isingarin] Well, I just mentioned one of the reasons. Then the estimate of the housing requirement in the plan was made only for the railroad operational personnel, and it was proposed that only 20 percent of the housing space be allocated to the construction workers and local organizations.

But it turned out that the other ministries and departments are commissioning hardly any dwellings and social facilities; the 150-bed hospital built in Severobaykalsk is caring for 380 persons, less than 130 of whom are railroad workers. But the Ministry of Health is only criticizing the situation that has been created instead of trying to allocate the necessary funds and building medical institutions. This applies to other ministries and departments as well.

By the end of this year 81 percent of the housing, 78 percent of the nursery schools, and 93 percent of the schools that were planned will be built, and three-fourths of the planned volume will begin operating. But because of the shortcomings I just mentioned, we are not succeeding in completely resolving the railroad workers' social problems.

[Gitkovich] So what is the way out of the situation?

[Isingarin] The 1985 decree by directive organs authorized the expenditure of more funds on social projects, but "within the limits of the total estimated cost." The Ministry of Railways and the Ministry of Transport Construction reapproved a number of plans. This is probably not sufficient, but we will be looking even further. However, the collective of the railroad itself must give some thought to these matters and provide the means from their own funds, though they are small at present, for social construction.

The lack of all the necessary facilities in the settlements being built must be corrected quickly as well. In fact, even the ones already turned over do not always have shopping centers, schools, medical services, bath houses, laundries, and clubs. The voluntary assistance organizations are at fault for this, and the Ministry of Transport Construction, as the general contractor, and even our ministry, which is delaying the deliveries of equipment for boiler rooms, the water supply, sewage systems, and commerce, are not blameless.

[Gitkovich] In explaining why they have not been erecting substantial buildings in the small settlements, they say it would be impossible to bring in KPD [large-panel housing construction] components on the temporary roads along the railroad route. But now, after the BAM has been settled with permanent residents, there is no doubt that highways would be useful to them. Perhaps we have to bring the roads developed during the construction up to the status of a thoroughfare?

[Isingarin] This would be good, of course, but this is impracticable at present, unfortunately. The construction and maintenance of roads under the difficult conditions in those places are very expensive. According to the Gosstroy's modest estimates, this would cost nearly a billion rubles, and it would require the establishment of special organizations and a great deal of time. I think it is much more important to build paved roads in the more populated regions of the country at present.

[Gitkovich] It is common knowledge that the extension of the construction period and the increased cost of the Baykal-Amur Mainline are related to a considerable degree to the Severomuysk tunnel. And there is still a great deal of work ahead there. Some comrades are suggesting that work in the tunnel be stopped until the end of the century, and that a permanent bypass, which may be safer as well, be used.

[Isingarin] Geological exploration that was insufficiently thorough led to a situation in which much greater difficulties than we expected were encountered in building the tunnel. Many zones of tectonic fractures appeared on the construction workers path. The rock in them was reduced to detritus and sand and saturated with water under 10 to 30 atmospheres of pressure. The struggle against such currents makes it extremely difficult and slows down the tunneling. For this reason, out of the 15,338 meters in the Severomuysk tunnel, only 11,640 meters of the exploratory transport drift and 10,600 meters of the basic tunnel were driven as of 1 January this year. Finishing work has been done for nearly 10 kilometers and track has been laid for a little over 4 kilometers. We hope that there will be a crosscut of the drift in 2 years and that trains will be going through the tunnel in 1992.

It is not advisable to stop tunneling, continuing to break through the drift, as they are suggesting. First of all, we will reduce hardly any expenses, and secondly, it is

simply not profitable to immobilize an investment of nearly a half billion in the tunnel. The losses in operating the mainline will be considerable. After all, the tunnel has a gradient of 6,000, but the bypass is 18,000, and it is 30 kilometers longer as well. It is clear that the energy consumption in the second case is much higher. And we cannot overlook the short radii of the curves on the bypass, the abundant snowfalls, and other problems in operating on a mountain route of such a configuration and layout.

As far as the danger is concerned, it is also very dangerous for trains during an earthquake where the rails have been laid on steep slopes, taking into account the possibility not only of track dislocation, but rock slides, avalanches, and mud flows as well. Incidentally, during the earthquake in Armenia, a tunnel situated not far away was undamaged.

[Gitkovich] There have been many reproaches, and obviously justified ones, in connection with disruption of the ecological environment and pollution of the rivers and reservoirs, Lake Baykal first of all, during the construction and now as well.

[Isingarin] Any construction is interference with nature, of course, but it is impossible to avoid such intrusions completely. It is simply necessary for each person engaged in this to act as carefully and economically as possible, and to consider himself a son of nature, not its subjugator. As a rule, the least harm is inflicted where construction requirements are strictly observed, unnecessary roads are not broken, and purification facilities are erected in time. There is no question that there are still shortcomings here and they are struggling against them, but it is gratifying that the overwhelming majority of the BAM workers have learned well: it is easy to wound the permafrost, but many years are needed to restore its topsoil.

The Baykal is a special case. This bottomless bowl of crystal-clear water has no equals in the supply of fresh water. True, the track passes in close proximity to the lake over a short section. And one of the first protective measures was the construction of four cusp tunnels which, although they are not far off—100 to 200 meters—have moved the track away from the shoreline. Everything cost 100 million rubles, though this is one case where haggling is simply out of place.

Purification facilities have been provided for in the inhabited settlements along the banks of the rivers which flow into the lake. This involves not only Severobaykalsk, but Kichera, (Angoi), Uoyan and Yanchukan, which are 60 to 260 kilometers away from Lake Baykal.

But the main stumbling block is Severobaykalsk, of course. It was planned 20 kilometers away from the old workers' settlement of Nizhneangarsk, at the mouth of the Verkhnyaya Angara River. It was assumed that the population of the new city would not exceed 14,000 by

the end of the century (in the engineering plan for the railroad that was approved, the population of a station settlement was not to exceed 8,400). However, the city has 30,000 residents already, including railroad workers and members of their families—8,000 people. There are many temporary settlements remaining here which do not have purification facilities. Only one of the 26 boilerhouses operating in the city is equipped with an installation to catch the coal dust. For this reason, 18,000 tons of harmful substances fall on Severobaykalsk each year, not to mention the different gases that are polluting the air basin. All this has an effect on Lake Baykal to one degree or another.

[Gitkovich] And just what needs to be done, in your view?

[Isingarin] Severobaykalsk cannot be and should not be a strong point either for the Western Section of the mainline or especially for the construction workers who work hundreds of kilometers away from the city. Some of the population may be employed in the production facilities which already exist and in expanding the services. But we have to erect substantial buildings now at an accelerated pace, using them only for those who are needed for the railroad and providing services for those working on it. And we have to do away with the small stoves here to the extent that people are moved out.

[Gitkovich] I agree. And if some of the population is ordered to leave, the people should understand that this is not being done at someone's whim. There simply is a limit to the opportunity to settle the Baykal area. There are protected areas in the world and in our country where people are not permitted to take up residence in order not to disrupt the order of things established by nature itself.

But the BAM workers need to settle somewhere and work somewhere. What is to happen with the many thousands of construction workers for whom there will soon be nothing to do on the railroad?

[Isingarin] Well, first of all, not so quickly and not right away for everyone; don't forget that even after they complete what has been planned for this year, the BAM will be finished only as a startup complex which the Ministry of Railways has approved "by cutting off its own song," or more precisely, by proceeding from the funds allocated by the USSR Gosplan.

After the current introductory year, another 15 percent of the overall volume of construction and installation operations, or more than 1.1 billion rubles, remain to be assimilated. Well, the construction workers being released in Severobaykalsk now, in my view, have to be transferred to Taksimo, to make it the strong point for development of the northern part of the Buryat ASSR. The high profitability proposed for the AYAM [Amur-Yakut Mainline] has already been described; we must also send just railroad construction workers there. There

is also work for them in renovating the Bamovskaya-Tynda-Berkakit line. But it is quite understandable that there will be less and less work on railroad projects and most of those employed in installing the earth roadbed, laying the ties and rails, and building the STsB [signalization, centralization, and blocking system] obviously will have to be relocated to areas where there are other projects.

Well, as far as the subunits engaged in erecting housing, schools, hospitals, and production buildings and structures, I do not think it is advisable to take them out of here or to break them up. After all, this promising region must be opened up and developed just the same, and the sooner the better. For this reason, instead of having other ministries and departments organize construction trusts and transfer them here, wouldn't it be better to make use of the ones that already exist and have accumulated experience in the specific and very difficult conditions of these places?

[Gitkovich] Nigmatzhan Kabatayevich, we can discuss the BAM at even greater length, of course, but all the questions cannot be discussed at one time. For this reason, allow me to ask a final one. What, in your view, are the lessons learned from the BAM?

[Isingarin] I think that we have just been clarifying this in the course of the entire discussion. Well, if we sum up what has been said, I hope at the end of the year we will be able to congratulate the transport construction workers on the completion of one more stage in a large and difficult project that is needed for the country, in spite of all the reservations. The railroad will be able to function and bring benefit to the people.

Because of the difficult natural conditions—the permafrost, high seismic activity, and the lack of roads, as well as the installation of an earth roadbed and engineering

structures (without laying the rails) under two tracks for more than half the mainline, each kilometer of the mainline cost three times as much as under normal conditions. But this was provided for in the plan. Sometimes voices are heard which maintain that everything has become more expensive during the BAM's construction and that ultimately it cost us too much. It is not that way at all.

Indeed, in connection with the change in different conditions in 1988 the overall cost of the engineering plans of 1977 to build the line from the Lena to Komsomolsk-on-Amur was reconfirmed from 8.4 to 9.5 billion rubles. But in the first place, the prices for labor and materials (1984 opposed to 1969) increased by 1.2 to 1.34 times as much. And secondly, under the initial plan submitted by institutes in 1976, the total cost of the BAM was set at 12 billion!

Could we have built the railroad at less expense? Probably we could have if we had had the experience we have now, if we had had the chance to utilize our own equipment instead of foreign equipment, and if there had been better organization and the supply line had functioned more efficiently. And if the plan for the Severomuysk tunnel, let us say, as well as other places, had been worked out in more detail.

Indeed, the BAM has not yet shouldered the burden intended for it (it is now operating at 15 percent of its design capacity), but to the extent that it is loaded, basically with transit shipments, the production cost of shipments will decline. And by the end of the century the Baykal-Amur Mainline will cease to be a subsidized railroad. And I am confident that we will still be proud of our national project. After all, in remembrance of the fact that envoys from all the republics and many oblasts and cities worked here, each of the settlements remaining on the BAM bears the national features of those places where its builders came from.

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